WHICH?

TAX RETURN GUIDE 2001

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The 2001 *Which? Tax Return Guide* is aimed at those of you who like to fill in your tax return as soon as it arrives in April. And completing it sooner rather than later is no bad thing when you consider that around a million taxpayers were fined £100 for failing to return their 1999-2000 tax forms by the 31 January 2001 deadline. That's a massive £100,000,000 windfall for the Inland Revenue. Wonder what they do with it?

For the second year running, we're publishing this guide separately from the *Which? Tax Saving Guide*. Let us know what you think – do you find two separate guides helpful? You can write to us at Dept TF, *Which?*, PO Box 44, Hertford X SG14 1SH, or e-mail tax@which.net.

As we went to press before 7 March, we're unable to include details of the Budget in this guide. So, if you want more information on tax and the Budget, wait until you receive the *Which? Tax Saving Guide*, out in June.

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WHICH?
TAX RETURN GUIDE 2001

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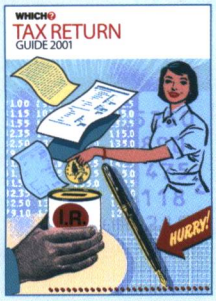


WHY YOU NEED THIS GUIDE

The UK tax system is far from simple, and most people need all the help they can get when it comes to filling out their tax return. The *Which? Tax Return Guide* leads you through the whole process as painlessly as possible, so you end up paying just the tax you owe and avoid penalties or surcharges.

In the following pages we show you how to complete the basic tax return, plus the more common supplementary pages. Starting on p32, we've also included some calculators to help you work out how much tax to pay. And on p7 we've added some useful hints and tips to get you through some of the more tricky bits.

YOU AND YOUR TAX RETURN

This guide deals with the tax return that covers the tax year from 6 April 2000 to 5 April 2001. If your tax return is sent to you before 31 July 2001, you must complete and return it by 31 January 2002. If it's late, you'll automatically be fined. If you want the Revenue to calculate how much tax you owe, you must send back your return by 30 September 2001. Our tax calendar on p16 gives you all the important dates.

If your return isn't sent to you until after 31 July 2001, the deadlines may be different. If you want the Revenue to calculate your tax, you have two months from the date the return is issued to complete it and send it back. If you calculate your tax yourself, you have until 31 January 2002 or three months from the date of issue, whichever is later, to return the form along with any unpaid tax.

If this is the first year you have received untaxed income and you don't normally receive a tax return, you must let the Revenue know about the new income by October 2001.

TAX FACTS

Tax rates

Tax on non-savings income (from employment, pensions and self-employment) earned in 2000-2001 is charged at three rates: 10 per cent (starting rate), 22 per cent (basic) and 40 per cent (higher). This type of income is normally allocated against the tax bands first. The table below shows the bands of income on which each rate is levied. Savings income and taxable capital gains can also be charged at three rates depending on which tax band the income falls into: 10 per cent if it's under the limit for starting-rate tax, 20 per cent if it falls within the basic-rate band, and 40 per cent if it's in the higher-rate band. Starting- and basic-rate taxpayers pay 10 per cent tax on dividend income, higher-rate taxpayers pay 32.5 per cent.

Allowances

Everyone gets a personal tax allowance. This is the amount you can earn before you start to pay tax. Allowances for tax years 1999-2000 and 2000-2001 are shown in the table, left. People aged 65 or over may get a higher amount, known as an age-related allowance, depending on income (see the table, left, and our calculator on p33).

Prior to 6 April 2000, all married couples could claim an extra allowance, but now this is available only if you or your spouse was born before 6 April 1935. Unlike the personal allowance, it's not an amount you can earn before you start paying tax. Instead, a percentage of the allowance is deducted from your final tax bill and reduces the amount of tax you pay.

Capital gains

In 2000-2001 you could make capital gains of £7,200 before paying capital gains tax. Above this, tax on capital gains is treated in a similar way to tax on savings. The gain is added to your other income and is charged at 10, 20 or 40 per cent, depending on which tax band the gains fall into.

Inheritance tax

Inheritance tax applies to estates above £234,000, and on death is charged at a rate of 40 per cent. If inheritance tax is payable on a lifetime gift, the rate charged is 20 per cent.

ALLOWANCES AND TAX BANDS

	1999-2000 tax year (£)	2000-2001 tax year (£)
Personal allowance		
Basic	4,335	4,385
Age-related: if you're 65 to 74	5,720	5,790
Higher age-related: if you're 75 or over	5,980	6,050
Married couple's allowance[1]		
Minimum amount	1,970	2,000
Either spouse aged 65 before 6 April 2000	5,125	5,185
Either spouse aged 75 or over	5,195	5,255
Tax bands		
Starting rate (10%)	up to 1,500	up to 1,520
Basic rate (23% for 1999-2000, 22% for 2000-2001)	1,501 to 28,000	1,521 to 28,400
Higher rate (40%)	over 28,000	over 28,400

1 Relief restricted to 10 per cent of allowance. Married couple's allowance was abolished from 6 April 2000 for most taxpayers. Allowance remains for married couples where one or both parties was born before 6 April 1935

DEALING WITH THE REVENUE

Knowing what the Inland Revenue expects from you, and what your rights are, will help you pay the right amount of tax due – no more and no less.

PAYING THE PENALTY

Even if you use a tax adviser or accountant, you are the one responsible for making sure the information on your tax return is accurate and that the Revenue receives the return in time. There are stiff penalties if you miss the deadlines. If you miss the final return date (for most returns this will be 31 January 2002 for the tax year ending on 5 April 2001), the Revenue will charge you a fixed penalty of £100. If the return is still outstanding six months later, you will be charged another £100. A further penalty of up to £60 a day can be applied in more serious cases. However, the penalty payable can never exceed the balance of tax due.

If you're late paying your tax, you will be charged interest, currently at an annual rate of 8.5 per cent. In addition, a 5 per cent surcharge will be applied on any tax not paid by 28 February 2002. This surcharge will be increased to 10 per cent and applied to any tax bill still unpaid by 31 July 2002. The Revenue can start legal proceedings to enforce collection of overdue tax. However, you can appeal against the penalties and surcharges if you think you have a reasonable case – see Inland Revenue booklets SA/BK6 and SA/BK7 for more information. You should also claim against your accountant or tax adviser if you think they are at fault.

PAYING THE WRONG TAX

If you are paying too much tax because of a mistake you made on your tax return in a previous year, you can claim a rebate. Use question 19 on your current tax return to claim a refund or, if you aren't normally sent a tax return, contact your tax office.

On the other hand, you may be paying too little tax. The Inland Revenue will let you know if this is so once it has received your tax return. However, you can challenge its decision – see 'Appeals against tax', right. If you are taxed through the PAYE system, any overdue tax can normally be collected by reducing your PAYE code for the coming year, but only if you file your return by 30 September and you owe less than £1,000.

MISTAKES

By the Revenue...

If you have paid too much tax because of a mistake by the Revenue or any other Government department, you can claim a rebate for any year affected up to 20 years ago, and you may also be entitled to compensation as a result. If the mistake is serious, the Revenue will pay reasonable costs you incur, such as postage and professional fees, as well as earnings you lost through having to sort things out. Even if mistakes aren't serious, but the Revenue persists in making them, it may pay some costs. For more information, see Inland Revenue Code of Practice 1.

By you...

Code of Practice 1 also states that if you have paid too much tax because of an error or mistake that you made in your tax return, you can claim repayment up to six years later.

YOUR RIGHTS

The Inland Revenue service standards are covered in the Charter for Inland Revenue Taxpayers and the Charter for National Insurance Contributors, both of which commit the Revenue to offering a fair, effective and confidential service. The charters confirm its customer service standards and also cover your right of appeal against the Revenue's decisions. They also remind you of your legal duty to disclose all necessary information. The charters are backed up by Inland Revenue codes of practice. For example, Code of Practice 1 states that if the Revenue takes more than six months after its 28-day target to reply to queries, it will waive interest on unpaid tax that arose during the period of delay, pay interest on any money owed during this period, and pay reasonable costs incurred because of the delay.

There is also an independent Adjudicator who can rule on handling complaints (see 'Resolving complaints', below).

APPEALS AGAINST TAX

If you think your tax bill is wrong and you can't agree the final amount, you can lodge an appeal – see Inland Revenue leaflet IR37 for more details. If you don't agree with the outcome, you can appeal to independent commissioners and be represented at the hearing by a tax adviser, accountant or lawyer.

RESOLVING COMPLAINTS

If you have a complaint against the Inland Revenue, first try to resolve it with your tax office by writing to the officer-in-charge. If this fails, contact the Regional Controller – see Revenue leaflet IR120 *You and the Inland Revenue* for details.

If you are still not happy, you can ask the independent Adjudicator to look into your complaint. The Adjudicator will consider complaints about excessive delays, mistakes, discourtesy and the way in which the Inland Revenue has exercised its discretion.

To find out more about the Adjudicator, see its website at www.adjudicatorsoffice.gov.uk or phone 020 7930 2292.

As a last resort you can make a complaint to the Parliamentary Commissioner for Administration (the Ombudsman). However, you

MORE HELP

INLAND REVENUE LEAFLETS

IR37 Appeals
IR73 Inland Revenue enquiries under self assessment
IR120 You and the Inland Revenue
IR141 Open government

CODES OF PRACTICE

1 Mistakes by the Inland Revenue
2 Investigations
6 Collection of tax
10 Information and advice
11 Enquiries into tax returns by local tax offices

ADJUDICATOR'S OFFICE LEAFLETS

AO1 How to complain about the Inland Revenue and the Valuation Office Agency
AO2 How to complain about Customs and Excise

must be referred via an MP. The Adjudicator's office can't deal with complaints that the Ombudsman has considered, so try the Adjudicator's office first. During 1999-2000, the Adjudicator recommended that the Revenue pay over £100,000 to complainants.

AFTER COMPLETING THE RETURN

What happens after you've sent back your tax return depends on whether you work out your own tax or whether you ask the Inland Revenue to do it for you.

If the Revenue works out your tax...

Your tax office will check your return for simple, obvious errors or miscalculations, and then work out how much tax you owe. It will send you a tax calculation statement which confirms the tax due and when it must be paid.

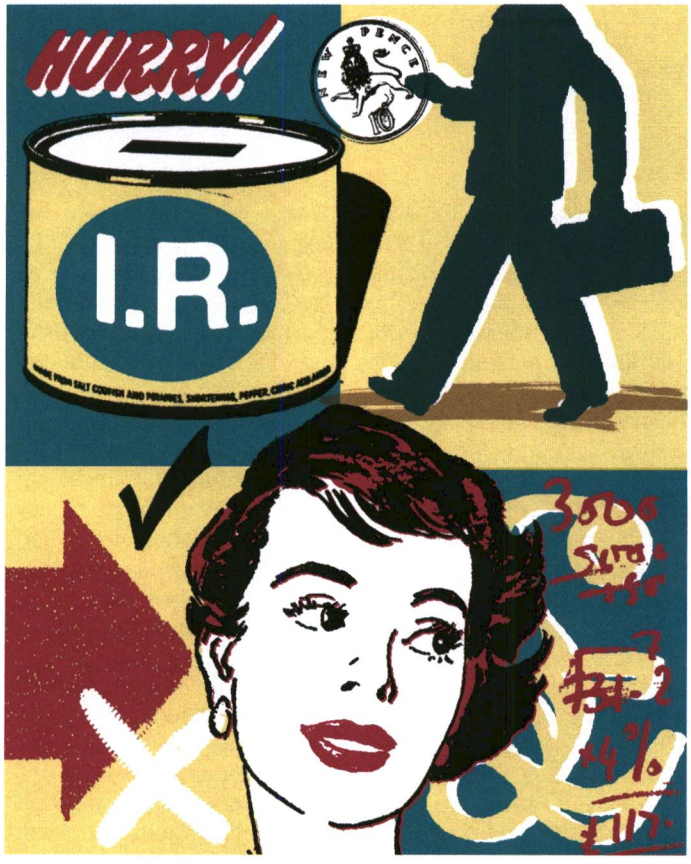
Your tax office will usually correct any mistakes or miscalculations in your return without checking with you first, but it must inform you of any changes it has made. There is a page on the statement headed 'Revisions made to your Tax Return' that states what changes your tax office has made and why.

You should check the Revenue's calculations straight away as it may have missed something (see 'Hints and tips', p7). You can challenge any amendments you don't agree with.

If you do it yourself...

If your tax office agrees with your calculation, you will receive a notice telling you that your return has been processed successfully.

However, if your tax office finds a mistake or miscalculation, it will amend your return and send you a tax calculation statement giving your revised tax bill. As before,



if you don't agree with these amendments or revisions, you can challenge them.

If you send back your return and pay your tax just before the final filing date, then there may not be time for the Revenue to advise you of any mistakes before the deadline. If you've unwittingly underpaid tax, you will be charged interest on this after the deadline has passed. So, if possible, send back your return in time for any mistakes or omissions to be picked up before the final deadline.

THE TAX CALCULATION STATEMENT

The tax calculation statement has been the subject of a lot of criticism, with many taxpayers finding it difficult to follow. The Revenue has made some changes to the statement, but whether this has resulted in an improvement is yet to be seen. If you don't understand your statement, ask your tax office or a local tax enquiry office (in the phone book under 'Inland Revenue') to explain it to you.

STATEMENT OF ACCOUNT

This is a written record of your transactions with your tax office. It confirms the tax you owe (for both the current tax year and in advance for next year, if applicable), and what tax you've paid.

Statements of account are mostly sent to taxpayers who make payments on account (see p6) and so pay tax at different times and in instalments. It's unlikely you'll receive a statement of account if you pay all your tax via PAYE.

ENQUIRIES INTO RETURNS

The Inland Revenue will check your tax return when it first receives it for simple or obvious errors. Later, it may check it more thoroughly. The Revenue has the right to open an enquiry into anybody's tax return. Most of the returns it selects for enquiry will be those it thinks might be incorrect or incomplete.

However, it will also select, completely at random, some 8,000 returns for full enquiry (see 'Types of enquiry', below). The Revenue chooses these returns at the time they are dispatched, so whether you file your tax return early or late, the Revenue will still open an enquiry if your return is among those selected. It doesn't have to tell you whether your return is among those chosen at random, or whether it is opening an enquiry for another reason.

TYPES OF ENQUIRY

There are two types of enquiry – a full enquiry, which involves looking into the return as a whole, and an aspect enquiry, which concentrates on specific aspects of it (the amount paid to pension schemes, or the calculation of a capital gain, say). The Revenue has a code of practice for enquiries, which it must follow. For example, it must:

- tell you in writing that it intends to start an enquiry, and what your rights and responsibilities are
- try to tell you at the same time what information it requires. If it can't do this at the outset, it must explain why and say when you can expect to be told
- allow you to have professional representation.

The Revenue must tell you within 12 months of the final filing date (or the date you submit your return, if later) if it intends to start an enquiry. The final filing date for most returns sent out for the 2000-2001 tax year is 31 January 2002, so for these returns your tax office must notify you by 31 January 2003 if it intends to open an enquiry into your return for 2000-2001. For more information, see Code of Practice 11.

Payments on account

Anyone who receives income that hasn't already been taxed has until 31 January following the end of the tax year to pay the tax due. However, most people who have untaxed income are asked to make some interim tax payments before this date. These are called payments on account.

WHEN TO PAY

One payment must be made just before the end of the tax year in which the tax falls due (January), and another must be paid just after the end of the tax year (July). If you still owe tax after these two payments are made, you have until 31 January following the end of the tax year in which the tax is due to pay the balance. So the first payment on account for the 2000-2001 tax year was due on 31 January 2001, with the second falling due on 31 July 2001. Any balance must be paid by 31 January 2002.

If you file your return early, you should receive a statement just before the first payment on account is due saying how much you owe. This should have a payment slip attached. Even if you don't receive this statement, and you are meant to make payments on account, you are responsible for making the first payment by the deadline. However, if you file your return close to the final deadline, you must calculate how much your payments on account will be and send the first payment back with your return and any unpaid tax for the current tax year.

HOW MUCH YOU PAY

Normally each payment will be half your tax liability for the previous tax year, excluding tax deducted at source (PAYE, for example) and capital gains tax. So, for example, if your tax bill for 1999-2000 was £5,400, your first payment on account for 2000-2001 would have been £2,700. The second will also be £2,700.

CALCULATING WHAT TO PAY

Taxpayers who work out their own tax liability calculate their payments on account for the following tax year. Enter the amount of the first payment in box 18.6 of your tax return.

If the Inland Revenue calculates your tax bill, it will send you a notice confirming your tax liability for the relevant tax year and, based on this calculation, your payments on account due for the next tax year.

REDUCING THE PAYMENTS

Your payments on account are based on your own tax assessment (even if the Revenue does the calculations for you) and are determined by your tax bill. Therefore, if you think next year's bill is going to be less than this year's, you can reduce your payments on account. However, you must give a reason why you think your tax bill will be less. Basically, this would include anything that affects the profit or income you receive, and consequently your tax bill – for example, if you are planning to work fewer hours, or your expenses go up.

If you calculate your own tax bill, you can reduce your payments by ticking box 18.7 on your tax return. Estimate how much tax you expect to pay during the next tax year, and reduce each payment to half this amount. Explain why you've reduced the payments under 'Additional information'.

If the Revenue does the tax calculation, it will send you claim form SA303 with your tax statement. Use this form if you want to reduce your payments on account, or write to your tax office confirming that you want to reduce the payments, and why.

MORE HELP

Inland Revenue tax return guide, p29

INLAND REVENUE LEAFLETS

SA/BK7 Self assessment surcharges

SA/BK8 Self assessment: your guide

IF YOU PAY TOO LITTLE

If you ask to reduce your payments on account and your final tax bill is more than you have estimated, the Revenue charges you interest on any difference between the payments you have made and the payments originally asked for. Interest is charged from the date the payment was due – 31 January or 31 July. The interest rate is variable – currently it's 8.5 per cent.

IF YOU PAY TOO MUCH

If you pay the amount asked for, and your payments on account turn out to be more than the tax you owe, you will receive interest on overpaid tax. Again, interest is paid from the date of payment at a variable rate set by the Inland Revenue – it currently stands at 4 per cent.

WHEN YOU DON'T HAVE TO MAKE PAYMENTS

Even if you have untaxed income, you might not have to make payments on account if your total income tax in the previous tax year, less deductions, was £500 or less, or if at least 80 per cent of the tax due for the previous tax year was deducted at source. So, if your total tax bill for 2000-2001 comes to, say, £4,000, but £3,320 (83 per cent) was tax paid via the PAYE system, you won't have to make payments on account for the balance of tax owed.

If either of these applies to you, you can make a single payment of the tax – you must do this by 31 January following the end of the relevant tax year. Alternatively, you can ask the Revenue to collect the tax you owe via your PAYE code. However, it will do this only if the tax is £1,000 or less and you file your tax return by 30 September after the end of the tax year. If you don't want the tax to be deducted via PAYE, tick box 23.2 on the final page of the eight-page tax return (just above where you sign it).

Hints and tips

We can all do with a bit of help when filling in our tax return. Here is a selection of hints and tips to guide you through some of the more tricky bits.

DEALING WITH THE REVENUE

Make sure you always check your tax calculation statement thoroughly. Some transactions can be missed when the tax office is checking your tax return and calculating your tax bill – for example, if you ask to 'carry back' a pension contribution to a previous tax year, or if you have made gifts to charity.

PAYMENTS ON ACCOUNT

Interest is only charged if you have reduced your payments and get it wrong. If you pay the requested amount and still have tax owing, no interest is charged on the balance provided you pay it by the final deadline. If you pay too much, you will receive interest on the amount overpaid.

SEPARATE CALCULATIONS

Think about transferring assets or savings to your spouse if they pay tax at a lower rate than you do. Don't forget, non-taxpayers can reclaim tax paid on interest. If you own assets jointly, you should each enter half of any joint income or deductions, unless you have already notified your tax office of a different split. You and your spouse will need to use separate copies of the calculators to work out your individual tax bills.

FILLING IN YOUR TAX RETURN

When filling in details of your income, round down each total to the nearest pound – so for £11.95 enter £11. When entering outgoings, round up the figure in each section to the nearest pound – so for £387.01, enter £388. You can also round up tax credits and tax deductions. If an entry in a particular box requires income and credits from several sources to be added together, it is the aggregate figure that should be rounded.

If you produce a return on a computer, make sure the Revenue has approved the design and wording, and check whether precise figures should be entered or whether the program can deal with rounded figures.

Interest and dividends

If you receive interest or dividends from unit trusts or Oeics, you may have what's called accumulation units or shares. This means the interest or dividend is reinvested in the unit trust or Oeic for you. However, this still counts as income for tax purposes and you must either enter it into boxes 10.5 to 10.7 (for interest payments) or boxes 10.18 or 10.20 (for dividends). Don't enter any amount shown on your tax voucher as 'equalisation' as this is a repayment of capital and is not taxable.

Accrued income

When you buy and sell certain stocks (including permanent interest-bearing shares in a building society), part of the price may include a portion of the next interest payment. This is called accrued income. You may have charges or reliefs for this type of income and you should refer to p11 of the Inland Revenue tax return guide for details of what to put where. See also Inland Revenue leaflet IR68.

Pension exemption and deduction

An exemption applies to some UK pensions awarded to former employees for injury at work or a work-related illness. If this pension is more than you would have got if you had retired at the same time on ordinary ill-health grounds, the extra pension need not be included in boxes 11.10 to 11.12.

There's a 10 per cent deduction on some pensions paid to individuals employed by an overseas government. To qualify for the deduction, these UK pensions must be paid by or through an officer, agent or public department of the government concerned. If this deduction applies to you, put the total pension received in box 11.12 and 10 per cent of this in box 11.13.

Maintenance payments

1999-2000 was the last year that you could claim tax relief on maintenance payments unless you or your former husband or wife were born before 6 April 1935. If maintenance relief is retained, it is given as a percentage of the allowance, and reduces your final tax bill. For tax year 2000-2001, the allowance is £2,000, but the tax relief is restricted to 10 per cent of this, so your bill is reduced by £200. Higher-rate relief previously given on pre-March 1988 agreements no longer applies.

Allowances

You can still claim the blind person's allowance for the 2000-2001 tax year even if 2001-2002 is the first year you are on the register, provided you already had evidence of blindness before 6 April 2001. This will usually be an ophthalmologist's certificate on which the local authority based your registration.

SUPPLEMENTARY PAGES

If you're employed

Always check your PAYE code – if your code is wrong you might be overpaying tax. The *Which? Tax Saving Guide*, out in June, tells you how to do this.

If you're self-employed

For three tax years starting from April 2000, small businesses can save tax by investing in technology. 100 per cent of this cost can be offset against taxable profits.

Capital gains tax

For the purposes of the CGT pages, quoted shares or securities of a company means any shares or securities where a price quote was available on the London Stock Exchange Daily Official List (SEDOL) throughout the period you held them.

Land and property

A property qualifies as furnished holiday lettings if it's in the UK and is available for holiday letting to the public for 140 days or more during the year, and is actually let for 70 days or more during the year. The property must not be occupied continuously for more than 31 days by the same person, for at least seven months of the year.

GIVING TO CHARITY

Charitable gifts can be deducted from your income when working out whether you are eligible for age-related allowances. If your income is close to or above the maximum, you may keep your income within the limit by deducting the gross amount of gifts made during the tax year.

THE BASIC TAX RETURN

Everyone who gets a tax return to complete will receive the standard eight-page return, which we go through in this chapter. The Inland Revenue sends its own guide with your tax return and provides help-sheets on certain subjects. We've referred to specific pages of the Revenue guide or helpsheets that you might find useful when you come to fill out your own return.

THE 2000-2001 TAX RETURN

The self-assessment tax return form asks for information on income, tax-allowable deductions and allowances applicable to you for the tax year 6 April 2000 to 5 April 2001. It is customised to your particular circumstances. Everyone who gets a tax return receives the standard eight-page form, covered here, which asks for information on income from savings, investments, state benefits and pensions, as well as allowances and reliefs you wish to claim.

FILLING OUT THE FORM

If a box on the return applies to you, you must complete it. Don't just write 'see accounts' or 'see P60' etc. However, if you are unsure about anything, list your queries in a covering letter or telephone your tax office before sending back your return.

Keep a note of your entries, or take a photocopy of the form before sending it back. You can't send your tax office a photocopy of your completed return, but it will accept a photocopy of the actual form, provided you write your answers on the photocopy itself and also sign it.

SUPPLEMENTARY PAGES

If you have income only from pensions, state benefits and savings and investments, the standard eight-page form will be all you need. However, if you have other types of income, you may also receive supplementary pages. For example, if you are employed, you will receive the supplementary employment pages – a double-sided form numbered E1 and E2 (see pages 18 to 20) – as well as the eight-page form. If you are self-employed, you'll receive the four-page self-employment supplementary pages – SE1 to SE4 (see pages 21 to 26) – as well as the eight-page form.

Questions 1 to 9 on page two of your tax return list all the supplementary pages that are available. Everyone should read through page two (it helps you work out whether you have received the supplementary pages you need) and tick the boxes that apply. You should complete any supplementary pages first and then work your way through the rest of the tax return.

If you have new income during the tax year that your tax office doesn't know about (for example, if you start letting a property during the tax year), you won't automatically receive the correct supplementary forms. It is your responsibility to ensure you have all the forms you need. You can order any supplementary forms (and helpsheets) from the Inland Revenue on 0845 9000 404.

INCOME FROM UK SAVINGS AND INVESTMENTS

Complete these sections if you received taxable interest, dividends, income distributions or other taxable investment income (but not

INCOME *for the year ended 5 April 2001*

Q 10 Did you receive any income from UK savings and investments? NO ☐ YES ☐

If yes, fill in boxes 10.1 to 10.26 as appropriate. Include only your share from any joint savings and investments.

■ ***Interest***

• Interest from UK banks, building societies and deposit takers			
- where **no tax** has been deducted			Taxable amount 10.1 £
- where **tax has** been deducted	Amount **after** tax deducted 10.2 £	Tax deducted 10.3 £	Gross amount **before** tax 10.4 £
• Interest distributions from UK authorised unit trusts and open-ended investment companies (dividend distributions go below)	Amount after tax deducted 10.5 £	Tax deducted 10.6 £	Gross amount before tax 10.7 £
• National Savings (other than FIRST Option Bonds and Fixed Rate Savings Bonds and the first £70 of interest from a National Savings Ordinary Account)			Taxable amount 10.8 £
• National Savings FIRST Option and Fixed Rate Savings Bonds	Amount after tax deducted 10.9 £	Tax deducted 10.10 £	Gross amount before tax 10.11 £
• Other income from UK savings and investments (except dividends)	Amount after tax deducted 10.12 £	Tax deducted 10.13 £	Gross amount before tax 10.14 £

overseas investment income). Don't enter tax-free income (from Peps or Isas, say). For more information on what is considered tax free, see 'Doing your tax sums', p30. If you receive income from more than one investment of the same type, add the relevant amounts together.

If you receive interest from a National Savings Ordinary account, send your book away to have the interest added. To find out how much interest from other savings accounts you have received, go back through your own records or contact your bank or building society. If you've received interest without having tax deducted, ask for a statement of interest not taxed. You need a record of any interest from other sources, such as British Government stock.

If you have shares or unit trusts, you need the tax vouchers which come with your dividends and distributions. If they are paid direct to your bank, the tax vouchers may be sent there too. If you received shares in place of cash dividends, you'll need the offer letter showing the 'appropriate amount in cash'.

WARNING

All references to the Inland Revenue guide, helpsheets, tax return and supplementary pages are based on the drafts that were available when we went to press. The Inland Revenue expects the final versions of these to be the same, but there's a chance they may differ.

Interest

10.1 to 10.4 Add together interest received from UK banks, building societies and deposit takers during the 2000-2001 tax year. You need to separate interest where no tax has been deducted (10.1) from interest paid with tax deducted (10.2 to 10.4). If you hold joint accounts, enter only your share of the interest.

10.5 to 10.7 Add together all the interest received from these sources. Put the total received, the amount of tax deducted and the amount of interest before tax in boxes 10.5, 10.6 and 10.7 respectively. See 'Hints and tips', p7, for more information.

10.8 This is where you enter interest from National Savings (other than First Option Bonds). Enter the total interest received from Ordinary Accounts (not the first £70), Investment Accounts, Deposit Bonds, Income Bonds, Capital Bonds and Pensioners' Guaranteed Income Bonds.

10.9 to 10.11 Tax on National Savings First Option Bonds will have been deducted before interest is paid. Put the total of all the amounts you received in box 10.9, the total amount of tax deducted in box 10.10 and the total interest before tax in box 10.11.

10.12 to 10.14 Add together any investment income not already accounted for from savings and investments (not dividends), such as British Government stocks (gilts) – see 'Hints and tips', p7. For more about the type of income to enter here, see pages 10 and ▶

11 of the Inland Revenue's guide. If no tax has been deducted, show only the total interest received.

Dividends

10.15 to 10.17 The voucher that accompanies your dividend payment shows the amount of the dividend you have been paid, and the tax credit. Add together all income received from dividends, and enter the total in the appropriate box. Then enter the total amount of tax credits. Add these two figures together to give the total dividends or distributions plus tax credits. Refer to p11 of the Revenue's guide for information on how dividends are taxed.

Don't include scrip dividends here – these should be entered in boxes 10.21 to 10.23.

Boxes 10.15 to 10.17 are also where you enter any other qualifying distributions from UK companies. A company can be classed as making a distribution when it passes value to a shareholder – for example:

- by selling an asset to a shareholder at less than its market value; or
- by paying interest at more than a commercial rate on a loan from a shareholder.

You should give details of these distributions under 'Additional information' on p8 of your tax return.

10.18 to 10.20 Add together all dividend distributions from UK authorised unit trusts and open-ended investment companies (Oeics) and enter the total amount received, the total tax credits and total dividends plus credits. You'll find this information on your dividend vouchers. If you do not have a voucher, ask your unit trust or Oeic manager to send you a duplicate.

There are special rules for equalisation payments and reinvested income – see 'Hints and tips', p7.

10.21 to 10.23 Some companies pay out dividends in the form of shares rather than cash. These scrip dividends (sometimes known as stock dividends) count as taxable income and should be entered here. Your company should send you a statement showing the 'cash' amount – enter this in box 10.21. If you have more than one statement, add the amounts together. Next, calculate an amount equal to one-ninth of the cash amount and enter this into 10.22 – this represents the notional tax. Put the total of boxes 10.21 and 10.22 in box 10.23.

10.24 to 10.26 These boxes ask for details of non-qualifying distributions and loans written off. For example, a non-qualifying distribution might be:

- a bonus issue by a company of securities or redeemable shares; or
- the paying on of a bonus received by the company itself.

The total amount of the distribution will be:

- for securities, the amount of the principal secured plus any premium paid for them minus any new consideration (payment) given by you for that issue
- for redeemable shares, their nominal value plus any premium paid for them.

If you are a starting- or basic-rate taxpayer, no further tax is due on these distributions. If you pay higher-rate tax, an amount of starting-rate tax is treated as already paid by you and set against your tax bill. Enter the amount of the distribution in box 10.26. Multiply this amount by 10 per cent to arrive at the starting-rate tax which is treated as paid by you. Enter that amount into box 10.25. Leave box 10.24 blank unless you have loans or advances that have been written off.

If you are a participator or associate of a 'close' company and you have had a loan or advance written off, you may have some tax to pay. The amount written off is treated as income received after deduction of tax at the ordinary dividend rate (10 per cent). If you pay tax at the starting or basic rate, there is no more tax to pay. If you pay higher-rate tax you will have tax to pay. Enter in box 10.24 the amount of the loan written off. Multiply this by one-ninth and enter the result in box 10.25. Add together the figures in both boxes and put the result in box 10.26. For more about the type of income to enter here, see page 12 of the Revenue's guide. If no tax has been deducted, show only the total interest received.

■ *Dividends*

	Dividend/distribution	Tax credit	Dividend/distribution plus credit
• Dividends and other qualifying distributions from UK companies	10.15 £	10.16 £	10.17 £
	Dividend/distribution	Tax credit	Dividend/distribution plus credit
• Dividend distributions from UK authorised unit trusts and open-ended investment companies	10.18 £	10.19 £	10.20 £
	Dividend	Notional tax	Dividend plus notional tax
• Scrip dividends from UK companies	10.21 £	10.22 £	10.23 £
		Notional tax	Taxable amount
• Non-qualifying distributions and loans written off	10.24 £	10.25 £	10.26 £

INCOME *for the year ended 5 April 2001, continued*

Q 11 **Did you receive a taxable UK pension, retirement annuity or Social Security benefit?** NO ☐ YES ☐ **If yes,** fill in boxes 11.1 to 11.13 as appropriate.

Read the notes on pages 12 to 14 of the Tax Return Guide

■ ***State pensions and benefits***

		Taxable amount for 2000-2001
• State Retirement Pension *(enter the **total** of your entitlements for the year)*		11.1 £
• Widow's Pension		11.2 £
• Widowed Mother's Allowance		11.3 £
• Industrial Death Benefit Pension		11.4 £
• Jobseeker's Allowance		11.5 £
• Invalid Care Allowance		11.6 £
• Statutory Sick Pay and Statutory Maternity Pay paid by the Department of Social Security		11.7 £
• Taxable Incapacity Benefit	Tax deducted 11.8 £	Gross amount before tax 11.9 £

■ ***Other pensions and retirement annuities***

	Amount after tax deducted	Tax deducted	Gross amount before tax
• Pensions (other than State pensions) and retirement annuities	11.10 £	11.11 £	11.12 £

	Amount of deduction
• Deduction *- see the note for box 11.13 on page 14 of your Tax Return Guide*	11.13 £

PENSION AND SOCIAL SECURITY BENEFITS

You need to complete question 11 if you received a UK pension, retirement annuity or any of the taxable social security benefits shown in the tax return. Enter only the taxable part.

You need details of the state pension that you were entitled to during tax year 2000-2001 (ask your Benefits Office for form BR735).

If you receive a pension from a former employer that is taxed under PAYE, you should get a P60.

If you receive any personal pensions, you will need a statement showing how much you have been paid (your pension provider will send you this). If you have been unemployed or if you receive incapacity benefit or other benefits, your Benefits Office will be able to confirm how much of this money is taxable.

State pensions and benefits

11.1 As well as the basic state pension, include any Serps or graduated pension you were entitled to in 2000-2001 but not any Christmas bonus or winter fuel payment you received as these payments aren't taxable.

11.2 Enter the full amount of widow's pension you were entitled to during 2000-2001, including any earnings-related additional pension. Form BR735 from your Benefits Office will give you this information.

11.3 Enter the flat-rate basic widowed mother's allowance and any earnings-related increase. Don't include anything you receive because you have a dependent child as this isn't taxable.

11.4 Enter the annual pension you are entitled to. Do not include industrial death benefit child allowance as this isn't taxable.

11.5 If you receive jobseeker's allowance, enter the taxable portion of the benefits. The DSS will give you form P60U by 31 May 2001.

11.6 Enter the full amount of invalid care allowance you were entitled to for 2000-2001 and include any addition for a dependent adult. Exclude any addition for a dependent child as this isn't taxable.

11.7 Statutory sick pay and statutory maternity pay are usually paid to you by your employer and will be included in your P60 or P45. If so, include them under income from employment, not here. If the DSS has paid these benefits, enter the amount you received during 2000-2001.

11.8 and 11.9 Enter only the taxable portion of any incapacity benefit you receive and any tax already deducted. The DSS will give you a P60 (IB) by 31 May 2001 which will confirm the details.

Other pensions and retirement annuities

11.10 to 11.12 Total up all other pensions you received, provided the payer is based in the UK. Include amounts from ex-employers' schemes, personal pensions, retirement annuity contracts or free-standing AVCs.

If you have deferred taking a pension but have opted for the income withdrawal option instead, put the total amount you received during the tax year. If you receive more than one pension, keep separate records but total them up for the tax return.

11.13 The taxable amount of your pension may be reduced if it qualifies for a deduction – see 'Hints and tips', p7, to find out whether this applies to you. If you do qualify for a reduction, put the amount you received into box 11.12 and enter 10 per cent of this amount in box 11.13. ▶

Q 12 **Did you receive any gains on UK life policies or refunds of surplus funds from AVCs?** NO ☐ YES ☐ **If yes,** fill in boxes 12.1 to 12.12 as appropriate

• Gains on UK annuities and friendly societies' life insurance policies where no tax is treated as paid	Number of years 12.1		Amount of gain(s) 12.2 £
• Gains on UK life insurance policies etc. on which tax is treated as paid - *read pages 14 and 15 of the Tax Return Guide*	Number of years 12.3	Tax treated as paid 12.4 £	Amount of gain(s) 12.5 £
• Gains on life insurance policies in ISAs that have been made void	Number of years 12.6	Tax deducted 12.7 £	Amount of gain(s) 12.8 £
• Corresponding deficiency relief	Amount 12.9 £		
• Refunds of surplus funds from additional voluntary contributions	Amount received 12.10 £	Notional tax 12.11 £	Amount plus notional tax 12.12 £

Q 13 **Did you receive any other taxable income which you have not already entered elsewhere in your Tax Return?** NO ☐ YES ☐ **If yes,** fill in boxes 13.1 to 13.6 as appropriate

Make sure you fill in any supplementary Pages ***before*** *answering Question 13.*

• Other taxable income *(read page 17 of your Tax Return Guide if you made losses)*	Amount after tax deducted 13.1 £	Tax deducted 13.2 £	Amount before tax 13.3 £
		Losses brought forward 13.4 £	Earlier years' losses used in 2000-2001 13.5 £
		2000-2001 losses carried forward 13.6 £	

GAINS ON LIFE POLICIES OR SURPLUS FUNDS FROM AVCS

You will need to complete question 12 if you had a chargeable gain on a UK life insurance policy, life annuity or capital redemption policy; or received a refund of surplus contributions for a free-standing additional voluntary contribution scheme.

Gains on UK life policies

If you have made a gain on a life insurance policy (also known as a 'chargeable event') you need a chargeable event certificate – the life insurance company will provide this. Profits on these policies (typically, life insurance bonds – also known as single-premium, guaranteed growth, and guaranteed income bonds) are called chargeable gains. However, for tax purposes they are treated as income, not capital gains. Most gains are treated as though basic-rate tax has been deducted before you receive it, so starting- and basic-rate taxpayers have no further tax to pay. Higher-rate taxpayers have a further 18 per cent to pay. However, there are exceptions, notably gains on certain life annuities and friendly society societies' tax exempt life insurance policies.

Some questions ask you to give the number of years you've held the policy. In most cases this means the number of years from the commencement date of the policy to the date of the chargeable event, but see p15 of the Inland Revenue's guide and IR320 *Gains on UK life insurance policies* before entering this information.

12.1 to 12.2 If you have made a gain on a UK annuity or friendly society policy where tax has not been treated as deducted, enter the amount of gain in 12.2. In 12.1 put the relevant number of years you've held the policy.

12.3 to 12.5 If you made a gain on a policy which is treated as having been taxed, enter the amount of the gain in box 12.5 and the tax treated as paid in box 12.4. This is 22 per cent of the amount in box 12.5. Put the number of complete years you held the policy in box 12.3.

12.6. to 12.8 If you subscribed to more than one life insurance Isa during the 2000-2001 tax year, the most recent policy will be 'voided', which means any gains become liable for tax. Your Isa manager will have told you if this applies to you and sent you a certificate which confirms the amount of gain and the tax paid. Enter these figures into boxes 12.7 and 12.8, and the number of years you held the policy into box 12.6.

12.9 This relief is occasionally granted when a life insurance policy, life annuity contract or capital redemption policy comes to an end. See helpsheet IR320.

Surplus funds on AVCs

12.10 to 12.12 If you received a surplus of additional voluntary contributions, your pension provider will provide the necessary tax certificate, which will show the amounts to enter.

OTHER TAXABLE INCOME

13.1 to 13.6 You need to fill in this section if you have income from another source that doesn't come into any of the categories covered in the tax return or supplementary pages. This might be casual earnings or cashbacks from a mortgage, for example. See Inland Revenue helpsheet IR325 *Other taxable income*.

CLAIMING RELIEF FOR PENSION CONTRIBUTIONS

You will need to complete question 14 if you:

- are self-employed and make contributions to a personal pension plan and/or a retirement annuity contract
- are an employee, don't belong to an employer's pension scheme, and contribute to a personal pension plan
- are an employee, belong to your employer's pension scheme and also make contributions to a personal pension or retirement annuity because you have earnings from, say, a part-time job or self-employment
- are an employee, belong to your employer's pension scheme but also pay money in to a free-standing additional voluntary contribution scheme.

You need to know all the basic details of your pension scheme(s) – for example, what type of scheme it is, how much you paid, and whether you paid net or gross. Contact the company to which you pay your premiums. You also need an estimate of how much you will pay in the 2001-2002 tax year. If you want to use the carry-back rules for pension payments, see the Revenue helpsheet IR330.

Retirement annuity contracts

These are old-style personal pension plans taken out before 1 July 1988.

14.1 to 14.5 Enter the total paid to all policies during 2000-2001 in box 14.1. If you have already claimed tax relief on premiums paid during 2000-2001 in an earlier year, enter the amount already claimed for in box 14.2. Then enter in box 14.3 any amount to be treated as paid in previous years (carry back). If you paid a contribution after 5 April 2001 and want to claim tax relief for this during 2000-2001, enter this amount in box 14.4. Enter the total amount you are claiming relief for in this tax year in box 14.5 'relief claimed'.

Self-employed contributions

14.6 to 14.10 Enter details as for retirement annuity contracts.

Employee contributions

14.11 to 14.15 Enter the total gross amount paid to all the policies in this category during 2000-2001. Do not include any contributions paid by your employer.

You pay your contributions net of basic-rate tax, therefore you need to gross up your contributions by dividing your payments by 78 and multiplying by 100. For example, if you pay £100 a month, a gross amount of £128.20 is actually allocated to your policy. Refer to the note on box 14.11 on p19 of the Revenue's guide.

Enter details of payments in the same way as for retirement annuity contracts.

Contributions to other pension schemes

14.16 If your employer has not already deducted a payment to its pension scheme from the income you've shown on employment page E1, enter the amount to be deducted here. This will apply only rarely since these contributions are usually deducted from your pay by your employer before showing your pay on your P60.

14.17 Enter in this box any amounts you paid to a free-standing additional voluntary contribution scheme. You pay premiums net of basic-rate tax but you must enter the gross amount – see 'Employee contributions', left.

OTHER RELIEFS

You need to fill in question 15 if you:

- made payments for NVQ/SVQ training, but only if the training provider was based outside the UK and the training was undertaken outside the UK
- paid interest on loans that qualify for tax relief (not your main home). See helpsheet IR340 for examples
- made enforceable alimony or maintenance payments and you or your former husband or wife were born before 6 April 1935
- subscribed to Venture Capital Trust shares or the Enterprise Investment Scheme
- made a donation to charity through Gift Aid, Millennium Gift Aid or a covenant entered into before 6 April 2000.
- made gifts of qualifying investments to UK charities
- had expenses relating to a business that is no longer trading
- made payments to an annuity or covenant to your trade or profession for genuine commercial reasons and you are a higher-rate taxpayer
- made trade union subscriptions that entitle you to a pension benefit or life insurance or funeral benefits, or if you pay premiums to a friendly society for a combination of sickness and death benefits
- made payments to an employer's compulsory widow's, widower's or orphan's benefit scheme
- wish to claim higher-rate relief on a qualifying distribution on the redemption of bonus shares or securities.

See pages 20 to 23 of the Revenue's tax return guide for full details of these reliefs.

15.1 Enter the amount you paid for training.

15.2 Enter the gross amount of interest paid for these loans during the 2000-2001 tax year.

15.3 Enter the lower of £2,000 or the amount you paid in the year ended 5 April 2001. If your former husband or wife remarried in 2000-2001, you can claim relief on the payments you made only up to the date they remarried.

15.4 Enter the total amount of new ordinary Venture Capital Trust shares you subscribed for in the 2000-2001 tax year (up to £100,000).

15.5 Enter the amount invested in Enterprise Investment Scheme shares issued during the tax year (up to £150,000).

15.6 Enter the total amount you actually paid during the ▶

2000-2001 tax year. Don't include tax treated as deducted.

15.7 Enter the total value of all qualifying investments made to UK charities during the tax year.

15.8 Check the Inland Revenue guide p22 for the amount to be entered here, or contact your tax office for more help.

15.9 Enter the total annuities you paid in the year ended 5 April 2001. Don't include the tax treated as deducted.

15.10 and 15.11 Enter the qualifying premiums paid during 2000-2001 – see p23 of the Revenue tax return guide.

15.12 Check the notes on p23 of the Revenue tax return guide for the amount that should be entered here.

ALLOWANCES

Question 16 deals with the allowances you were entitled to claim during the 2000-2001 tax year. Everyone is entitled to a personal allowance of £4,385 for the 2001-2001 tax year. If you were born before

ALLOWANCES *for the year ended 5 April 2001*

Q 16 *You get your personal allowance of £4,385 automatically.* ***If you were born before 6 April 1936, enter your date of birth in box 22.6*** *- you may get a higher age-related allowance.*

Do you want to claim any of the following allowances? NO ☐ YES ☐ **If yes,** please read pages 23 to 25 of your Tax Return Guide and then fill in boxes 16.1 to 16.18 as appropriate.

■ ***Blind person's allowance*** — Date of registration (if first year of claim) 16.1 / / — Local authority (or other register) 16.2

■ ***Married couple's allowance*** *- In 2000-2001 married couple's allowance can only be claimed if either you, or your husband or wife, were born* ***before 6 April 1935.*** *So you can only claim the allowance in 2000-2001 if either of you had reached* ***65 years of age before 6 April 2000.*** *Further guidance is given beginning on page 23 of your Tax Return Guide.*

If **both** you and your husband or wife were born after 5 April 1935 you cannot claim; **do not** complete boxes 16.3 to 16.13.

If you can claim fill in boxes 16.3 and 16.4 if you are a married man or if you are a married woman and you are claiming half or all of the married couple's allowance.

- Enter your date of birth (if born before 6 April 1935) 16.3 / /
- Enter your spouse's date of birth (**if** born before 6 April 1935 **and** if older than you) 16.4 / /

Then, if you are a married man fill in boxes 16.5 to 16.9. If you are a married woman, fill in boxes 16.10 to 16.13.

- Wife's full name 16.5
- Date of marriage (if after 5 April 2000) 16.6 / /
- Tick box 16.7 if you or your wife have allocated half the allowance to her 16.7 ☐
- Tick box 16.8 if you or your wife have allocated all the allowance to her 16.8 ☐
- Enter in box 16.9 the date of birth of any previous wife with whom you have lived at any time during 2000-2001. *Read 'Special rules if you are a man who married in the year ended 5 April 2001' on page 25 before completing box 16.9.* 16.9 / /
- Tick box 16.10 if you or your husband have allocated half the allowance to you 16.10 ☐
- Tick box 16.11 if you and your husband have allocated all the allowance to you 16.11 ☐
- Husband's full name 16.12
- Date of marriage (if after 5 April 2000) 16.13 / /

■ ***Widow's bereavement allowance*** *- see page 25 of your Tax Return Guide before completing box 16.14.*

- Date of your husband's death 16.14 / /

■ ***Transfer of surplus allowances*** *- see page 25 of your Tax Return Guide before you fill in boxes 16.15 to 16.18.*

- Tick box 16.15 if you want your spouse to have your unused allowances 16.15 ☐
- Tick box 16.16 if you want to have your spouse's unused allowances 16.16 ☐

Please give details in the 'Additional information' box, box 23.6, on page 8 *- see page 25 of your Tax Return Guide for what is needed.*

If you want to calculate your tax, enter the amount of the surplus allowance you can have.

- Blind person's **surplus** allowance 16.17 £
- Married couple's **surplus** allowance 16.18 £

6 April 1936 you may be entitled to claim a higher age-related personal allowance. Give your position as it was on the last day of the tax year (5 April 2001).

Blind person's allowance
In England and Wales you must be registered blind with a local authority to be eligible for the blind person's allowance. You are not eligible if you are partially sighted rather than blind. In Scotland and Northern Ireland, you qualify for the blind person's allowance if you are unable to perform any work for which eyesight is essential.

If your income is insufficient to use up your allowance, any spare blind person's allowance can be transferred to your spouse, whether or not he or she is blind, provided that you lived together at any time in the 2000-2001 tax year.

The blind person's allowance was £1,400 for 2000-2001.

16.1 and 16.2 If this is the first year that you are registering for the blind person's allowance, put the date of registration into box 16.1. Whatever year you registered, enter the local authority or put 'Scottish or Northern Ireland claim' into box 16.2.

Married couple's allowance
This allowance was abolished with effect from 6 April 2000 unless either you or your husband or wife were born before 6 April 1935. In other words, you must have reached the age of 65 before 6 April 2000. If both you and your husband or wife were born after 5 April 1935 you cannot claim, so don't complete boxes 16.3 to 16.13 of the return.

The married couple's allowance goes automatically to the husband unless either of you has asked for half the allowance, or you have both asked for the whole allowance to be given to the wife. You can only change the way married couple's allowance is given if your tax office agrees to the change before the beginning of the tax year. It is too late for a change to made for the 2000-2001 or 2001-2002 tax years, but you can have the change made for the 2002-2003 tax year if you write to your tax office before 6 April 2002.

16.3 and 16.4 If you are a married man or a married woman claiming half or all of the married couple's allowance, fill in boxes 16.3 and 16.4. If you were born before 6 April 1935, enter your date of birth in box 16.3. You need only complete box 16.4 if your spouse was born before 6 April 1935 and is older than you.

16.5 to 16.9 Fill in these boxes if you are a married man claiming the allowance. You can only claim married couple's allowance if you or your wife were born before 6 April 1935 and you lived with your wife for all or part of the year ended 5 April 2001. Even if you were not living together under the same roof, you can be regarded as living together as long as you are still married and neither of you intends to make the separation permanent.

16.10 to 16.13 Fill in these boxes if you are a married woman claiming the allowance. You can only claim the allowance if you or your husband were born before 6 April 1935, you are still married and you lived with your husband for all or part of the year ended 5 April 2001. You must also have already elected that half or all of the allowance should go to you. If you have already agreed this with your tax office, tick either box 16.10 or 16.11.

Widow's bereavement allowance
Widow's bereavement allowance has been abolished for all deaths occurring after 5 April 2000. However, you can claim the allowance in 2000-2001 if your husband died in the year ended 5 April 2000 (provided you did not remarry in that year).

16.14 Enter here the date your husband died. The date must fall between 6 April 1999 and 5 April 2000.

Transfer of surplus allowances
Complete this if your income is less than the allowances due and you are transferring any surplus married couple's or blind person's allowance to your husband or wife. You will also need to complete this if you are claiming surplus allowances.

16.15 and 16.16 If you do want to transfer or claim surplus allowances, tick the appropriate box.

16.17 and 16.18 If you are calculating your own tax enter the amount of surplus allowance being claimed.

MORE HELP

The Inland Revenue produces a free disk for personal computers covering the basic eight-page tax return and the supplementary pages for employment and self-employment. The disk will help you complete your return and do the calculations for you. Order a copy by calling 0845 9000 404.

STUDENT LOANS

Question 17 of the tax return asks whether you are liable to make any repayments of student loans for the 2000-2001 tax year. Repayment of the new type of student loan made to a new borrower from August 1998 is collected by the Inland Revenue. The amount of the loan repayment for any year depends on your income. Your student loan company should have notified you if repayment of the loan commenced during the year ended 5 April 2001. If you are calculating your own tax you will also have to work out the student loan repayment due and enter the amount in the tax return at box 18.2A.

CALCULATING YOUR OWN TAX

If you wish to do your own tax calculation answer 'yes' and fill in the rest of the section at question 18. If the answer is 'no', go to question 19.

18.1 to 18.8 You need to refer to the tax calculation guide which came with your tax return. The chapter 'Doing your tax sums' (p30) will also help with this section.

If your tax affairs are quite straightforward there is a simpler Revenue calculator this year which should have automatically be sent to you. However, you may still find it easier to use our calculator on pages 34 and 35.

As well as your tax situation for 2000-2001 you will need to refer back to earlier tax years if you still owe back-tax or if unpaid tax is being collected through your tax code.

If you make payments on account, you will have to include any payments already made for the 2000-2001 tax year when calculating the tax you owe. You also need to calculate the payments on account for 2001-2002. See 'Payments on account', p6, for further information.

If you decide not to calculate your own tax and you miss the 30 September deadline, the Revenue may still do it for you, but it will not guarantee to let you know about any tax you owe by the final deadline of 31 January 2002. This might mean that you incur surcharges and interest.

CLAIMING A TAX REFUND

Question 19 asks whether you want to claim a repayment if ▶

you have paid too much tax. If you tick 'no', any tax overpayment will be offset against a future tax bill. If you are not claiming a repayment, go to question 20.

19.1A to 19.12 If you answer 'yes' to question 19, you should fill in boxes 19.1A to 19.12 if you want the refund to be sent to you (or to a bank or building society account, or to your agent). Fill in the relevant account or nominee details at boxes 19.3 to 19.12.

TAX ALREADY REFUNDED

Question 20 asks whether you have already had a refund of tax or had tax offset by either the Inland Revenue or your Benefits Office for the 2000-2001 tax year. Answer yes or no as appropriate.

ARE YOUR DETAILS WRONG?

Question 21 asks whether the details on the front of the tax return are wrong. If your name, address, National Insurance number and tax office details are shown correctly, tick 'no'. If they're incorrect, tick 'yes' and amend the front of the form.

PERSONAL DETAILS

Everyone must complete question 22. It helps your tax office to deal with your tax affairs promptly.

22.1 You don't have to enter your daytime telephone number here, but it might save time if your tax office has any queries about your return.

22.2 and 22.3 Alternatively, you can give your agent or adviser's details using these boxes.

22.4 If you are self-employed, give your first two forenames.

22.5 Say here whether you are single, married, widowed, divorced or separated. State the position as at 5 April 2001.

22.6 Enter your date of birth.

22.7 Enter your National Insurance number (if you know what it is).

ADDITIONAL INFORMATION

Question 23 asks a few final questions, some of which relate to the next tax year. Everyone should read through these questions and check whether any of the boxes apply to you.

23.1 Tick this if you will start to get a new pension or benefit during 2001-2002.

23.2 and 23.3 Tick box 23.2 if you don't want any tax you owe to be collected through your tax code. If you can give only provisional figures on your tax return, tick box 23.3 and use the 'Additional information' section to give more details.

23.4 Tick this if you are claiming relief now for 2001-2002 trading, or certain capital losses. Enter the amount of the loss and year for which you are claiming relief in the the 'Additional information' box (23.6).

23.5 Tick this box if you want business receipts received after a business has ceased trading to be taxed as income of an earlier year. You also need to tick this box if you have literary or artistic income which you want to spread back to previous years or forward to a future year. Give as many details as possible of your claim under the 'Additional information' section.

DECLARATION

Everyone must complete question 24.

24.1 Before you send your form back, you have to declare that the information contained in it is correct and complete.

24.2 Fill in this section if you are signing on someone else's behalf – as an executor, trustee or receiver, say. Give the name of the person you are signing for, and your name and address in the 'Additional information' section.

AND FINALLY...

Before you send off your tax return:

- make sure that you have signed and dated it
- make sure you've filled in all the relevant sections and supplementary pages
- take a photocopy of the form and anything else you're sending with it.

Be warned – you can be prosecuted for knowingly filling in the return incorrectly.

TAX CALENDAR 2001

Date	What happens	Who is affected
April 2001	Inland Revenue sends out most returns for 2000-2001 tax year	Everybody who normally gets a tax return
by 31 May 2001	P60s issued, providing details of your taxable pay and tax paid for 2000-2001	All employees. Also pensioners who receive an income from a previous employer's pension scheme or private pension plan
by 6 July 2001	P11Ds issued, providing details of your taxable fringe benefits and expenses for tax year	Employees and directors earning £8,500 or more and receiving fringe benefits and/or expenses
31 July 2001	Second payment on account for 2000-2001 tax year due (first one was due by 31 January 2001)	Taxpayers who make payments on account
30 September 2001	Completed tax return should be back to your tax office by now	Taxpayers who want the Revenue to calculate tax due for 2000-2001. Also people who want underpayments of tax up to £1,000 collected via PAYE
6 October 2001	Advise the Inland Revenue of new untaxed income or change of status	Taxpayers who start to receive untaxed income during the 2000-2001 tax year or who have changed from employed to self-employment
31 January 2002	Final deadline for sending back your tax return and paying any outstanding tax due for 2000-2001	Everyone who receives a tax return before 31 July 2001
	First payment on account for 2001-2002 tax year	Taxpayers who make payments on account
	Revenue must tell you by now if it intends to start an enquiry into your 1999-2000 return	Taxpayers who may have a problem on their return or returns picked at random
28 February 2002	5 per cent surcharge applied	Everyone who was due to pay tax on 31 January but failed to do so

SUPPLEMENTARY PAGES

People who have income other than from savings, investments, pensions or state benefits may need to complete more than the basic eight-page tax return.

EXTRA PAGES

- **EMPLOYMENT** if you work for an employer or are a director
- **SELF-EMPLOYMENT** if you work for yourself
- **CAPITAL GAINS** if you made gains on a sale or gift
- **PROPERTY** if you had income from letting property or land
- **FOREIGN** if you received income from abroad
- **NON-RESIDENCE** if you're not liable to tax because of residency
- **SHARE SCHEMES** if proceeds from a scheme are taxable
- **TRUSTS ETC** if you are liable for tax under the terms of a trust.

There are various extra pages depending on what type of income you have. Eight sets of pages cover the most common types of income (see above) and you may have to complete one or more of these.

On pages 18 to 29 we explain in detail the supplementary pages that cover the main types of income – employment, self-employment, income from property, and capital gains. On this page we give a brief summary of the four other main supplementary pages.

In addition, there are also separate supplementary pages that cover partnerships, Members of Parliament, Lloyd's Underwriters and Ministers of Religion. We haven't covered these, but helpsheets and notes about them are available from the Inland Revenue orderline (0845 9000 404).

FOREIGN

These five pages (F1 to F5) cover all types of income you receive from abroad. You should include any savings and investment income, such as dividends from overseas companies or interest from offshore bank or building society accounts. The foreign pages also cover income from overseas trusts, pensions, land or property you let overseas, and gains on overseas assets.

You may already pay tax on some of this income in the country of origin, or there may be a special taxation agreement between that country and the UK. So if this is the first year you need to complete these pages, we recommend you contact your tax office (or a local tax enquiry centre) to help you with them.

NON-RESIDENCE

Complete pages NR1 and NR2 if any of the following applied to you during the 2000-2001 tax year:

- you were not resident in the UK. Broadly, you are UK resident if you spend at least half of a tax year here, or if you regularly spend at least a quarter of each tax year here, averaged over four years
- you were not ordinarily resident in the UK. The term 'ordinarily resident' means you are resident in the UK year after year
- you were entitled to 'split-year' treatment. This might apply if you came to or left the UK partway through a tax year
- you were not domiciled in the UK. Many factors affect your domicile but the country where you have a permanent home is normally the one where you are domiciled.

Special rules apply to some people working abroad, such as Crown employees, civil servants and members of the armed forces, and also to members of visiting forces who are posted to the UK.

The Inland Revenue notes on non-residence contain questions and answers that will help you decide whether you need to complete the non-residence pages.

SHARE SCHEMES

If you received shares free or cheaply from your employer, or exercised share options, tax may be due for the 2000-2001 tax year. If so, you have to complete the supplementary pages for share schemes. The tax rules differ depending on whether your share scheme is Revenue approved or not. Under approved schemes, exercising an option won't normally be classed as a 'taxable event', unless by exercising the option you have broken certain conditions. The Revenue notes on share schemes explain when tax is due on these schemes, or you could check with your employer or tax office.

Page S1 of the share schemes supplementary pages summarises all taxable events for the tax year from different schemes. However, if you have more than one taxable event during the year, you must fill in a copy of pages S2 and S3 for each event. You can photocopy pages S2 and/or S3 or telephone the Revenue orderline for more copies.

TRUSTS ETC

Complete pages T1 and T2 if you received (or were regarded as receiving) any income during 2000-2001 from a trust, settlement, or the estate of a deceased person. Check with the trustees or personal representatives of the deceased if you are unsure.

Don't include income from a trust where you have an absolute right to the income and capital (known as a bare trust). This income should be included elsewhere in the tax return (such as the foreign pages if the income has come from overseas, or under question 10 of the tax return if it's from UK dividends or bank accounts). You don't need to include specific legacies from a deceased person, as these aren't taxable.

Employment

Employees and directors who receive a tax return should also receive the supplementary pages E1 and E2 for employment to complete. If you have had more than one employment during the tax year, you must complete separate pages for each one.

You need to fill in the employment pages if you:

- work as an employee either full or part time and you earn a salary or wages, bonus, commission, tips or any taxable benefits
- received any lump sum payments
- work abroad but are liable for UK tax (if you're considered to be resident in the UK for tax purposes)
- receive directors' fees or money from other offices you've held.

Before you start to fill in the employment supplementary pages, make sure you have:

- your P60, which your employer must give you by 31 May 2001 (for the 2000-2001 tax year)
- your P45, if you left your employment during the tax year 2000-2001
- your notice of coding for 2000-2001 and 2001-2002, if you have been sent one
- a list of all your taxable benefits. Your employer is obliged to give you a copy of form P11D by 6 July 2001 (or form P9D if you earn less than £8,500). This is the form that your employer sends to the Inland Revenue – it lists all your fringe benefits and their taxable values. Your P11D also gives a list of fixed expense allowances and expenses for which you've been reimbursed
- details of redundancy or any other payments you received when you left your job, which weren't part of your terms and conditions.

DETAILS OF EMPLOYER

1.1 to 1.5 Enter your employer's PAYE reference (from your P60), and its name and address. Enter the date you started or finished with this employer only if either was between 6 April 2000 and 5 April 2001.

1.6 and 1.7 If you are a director of this company, tick 1.6, and if the company is a close one, tick 1.7. A close company is one controlled by five or fewer participators (broadly shareholders, but they can be defined more widely) or by any number of participators who are also directors of the company.

INCOME FROM EMPLOYMENT

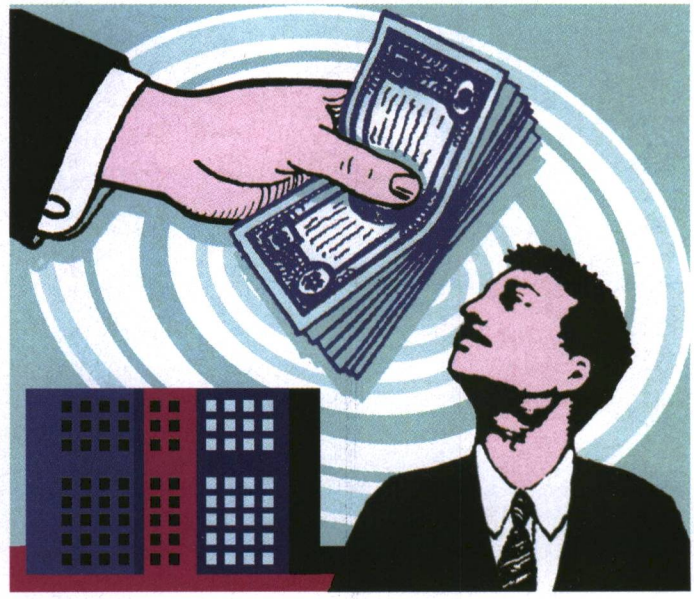
This part of the form tells the Revenue what income you earned during the tax year.

Money

Most of the income you receive will be your salary or wages.

1.8 Enter your payments for the year as they appear on your P60 (or P45 if you've left that employment). This should be your gross income less any payments you make to an employer's pension scheme or charity via a payroll deduction scheme. The figure shown on your P60 normally takes account of these. If it doesn't, deduct these amounts before entering a figure in box 1.8.

1.9 and 1.10 These boxes are for payments you received that are not included on your P60 – tips, for example.



1.11 Enter here any tax already deducted from the payments in boxes 1.8 to 1.10. Your P60 or payslips will show this amount.

Benefits and expenses

Many people receive payments other than money; the ones listed in this section are usually taxable.

1.12 to 1.22 Enter the taxable amount of the benefit in the relevant box. This amount might be called the 'cash equivalent' on your P11D. If you earn at a rate of less than £8,500 a year and are not a director, tax isn't due on certain benefits and expenses shown in this section, so you don't have to fill in boxes 1.16 to 1.23.

You count as earning 'at a rate of £8,500' only if the pro-rata rate of your yearly earnings plus the value of any benefits and expenses payments are less than £8,500. So, if you earned £7,000 a year and had a perk (a car, say) with a taxable value of £2,000, you would be over the limit.

1.23 The final box is for the total payments already made to you in respect of expenses. These are the total expenses you received – they may not all be allowable against tax.

Include in this total any balancing charges added to your income. These might arise when you sell assets or equipment that you previously claimed

MORE HELP

INLAND REVENUE LEAFLETS

IR125 Using your own car for work
IR136 Income tax and company vans – a guide for employees and employers
IR145 Low-interest loans provided by employers
IR161 Tax relief for employees' business travel

INLAND REVENUE HELPSHEETS

IR204 Lump sums
IR206 Capital allowances for employees and office holders
IR207 Non-taxable payments or benefits for employees
IR208 Payslips and coding notices

INLAND REVENUE BOOKLET

480 Expenses and benefits. A tax guide

Inland Revenue

Income for the year ended 5 April 2001

EMPLOYMENT

Name

Tax reference

Fill in these boxes first

If you want help, look up the box numbers in the Notes

Details of employer

Employer's PAYE reference - may be shown under 'Tax Office number and reference' on your P60 or 'PAYE reference' on your P45

1.1

Employer's name

1.2

Date employment started (only if between 6 April 2000 and 5 April 2001)

1.3 / /

Date finished (only if between 6 April 2000 and 5 April 2001)

1.4 / /

Employer's address

1.5

Postcode

Tick box 1.6 if you were a director of the company

1.6

and, if so, tick box 1.7 if it was a close company

1.7

Income from employment

Money - *see Notes, page EN3*

		Before tax
• Payments from P60 (or P45)		1.8 £
• Payments not on P60 etc.	- tips	1.9 £
	- other payments (excluding expenses entered below and lump sums and compensation payments or benefits entered overleaf)	1.10 £
• UK tax deducted from payments in boxes 1.8 to 1.10		Tax deducted 1.11 £

Benefits and expenses - *see Notes, pages EN3 to EN6. If any benefits connected with termination of employment were received, or enjoyed, after that termination and were from a* ***former*** *employer you need to complete Help Sheet IR204, available from the Orderline. Do not enter such benefits here.*

	Amount		Amount
• Assets transferred/ payments made for you	1.12 £	• Vans	1.18 £
• Vouchers/credit cards and tokens	1.13 £	• Interest-free and low-interest loans	1.19 £
• Living accommodation	1.14 £	*box 1.20 is not used*	
• Mileage allowance	1.15 £	• Private medical or dental insurance	1.21 £
• Company cars	1.16 £	• Other benefits	1.22 £
• Fuel for company cars	1.17 £	• Expenses payments received and balancing charges	1.23 £

capital allowances on, or stopped using for your work. For more details, see Revenue helpsheet IR206 *Capital allowances for employees and office holders*.

However, don't include in the figure in 1.23 any expenses covered by an employer's dispensation. These are quite common, particularly with large employers. They mean the employer has come to an arrangement with the Revenue over certain regular types of expenses paid to their employees. If an expense is covered by a dispensation, you don't have to claim it from the Revenue or declare you have received it. Only some expenses your employer pays may be covered by a dispensation – make sure you claim tax relief on any payments not covered.

OTHER TYPES OF INCOME

The rest of the form covers lump sums, foreign earnings, and expenses incurred in doing your job.

Lump sums and compensation payments or benefits

1.24 to 1.30 Unless all you are entering is a redundancy payment, you'll need Inland Revenue helpsheet IR204 *Lump sums* to fill in this section, as different rules apply to different types of lump sum payments connected with your employment.

Broadly, the following payments are usually tax free, unless they are in the terms of your contract:

- any lump sum for an injury or disability which meant you couldn't carry on with your job
- compensation for loss of a job done substantially outside the UK
- gratuities received from the armed forces
- some lump sums or contribution refunds from an employer's pension
- amounts an employer pays into a retirement benefit scheme or uses to buy an annuity.

The first £30,000 of the following payments are usually tax free:

- payments that are solely for redundancy
- compensation if an employer breaks your contract (if it doesn't give the required notice, for example)
- payments that are not part of an employer's established practice and purely ex-gratia (so not in return for any work done, for instance). The Inland Revenue will want proof that the payment is really ex-gratia before it will agree to it being tax free.

Foreign earnings not taxable in the UK

1.31 If you are not 'ordinarily resident' in the UK, you may not be liable to UK tax on some or all of your earnings. Read the notes on employment (page EN6) to see whether this applies to you.

Foreign earnings deduction

1.37 This deduction was withdrawn from 17 March 1998 for all employees except people who perform their employment duties on a ship. If this applies to you, ask for helpsheet IR205S.

Foreign tax for which tax credit relief not claimed

1.38 Enter in this box any foreign tax you have paid on your employment income but only if you do not want to claim tax credit relief. If you do want to claim it, leave this box blank and complete the foreign supplementary pages instead.

Student loans

1.39 Enter here any student loan repayments deducted by your employer and included on your P60 or payslips.

EXPENSES

1.32 to 1.36 These boxes tell the Revenue the amounts you are claiming for different types of expenses. These may be different from the amounts you've been paid. You need to complete these boxes as well as box 1.23 (but, as with this box, don't include expenses covered by a dispensation your employer might have).

The Revenue's notes on employment and booklet 480 *Expenses and benefits. A tax guide* give the expenses you can claim without having to pay tax. But generally, the expenses you can claim (✓) and those you can't (✗) are as follows:

✓ **Fees and books for full-time training courses in the UK lasting from four weeks to a year (your employer must require or encourage you to do the course and pay you while you're on it, and you may be allowed extra living and travel costs).**

✗ Fees and books for other courses or evening classes; exam fees; re-sit courses on exams.

✓ **Replacing, cleaning, and repairing protective clothing and uniform necessary for your job, and which you are required to buy; cleaning this clothing if it's bought by your employer and no facilities are provided.**

✗ Ordinary clothes you could wear outside work.

✓ **Maintaining and repairing factory/workshop tools and instruments you're required to provide; replacing tools and instruments (less any amount from sale of old ones), provided that the new ones are not inherently better than the old.**

✗ The initial cost of instruments and tools – but you may be able to claim capital allowances.

✓ **Reference books necessary for your job that you're required to provide (if the book's useful life is over two years, you may have to claim capital allowance instead); stationery used strictly for your job.**

✗ Books useful, but not necessary, for your job; stationery that is not used strictly for your job.

✓ **Fees and subscriptions to professional bodies; fees to keep your name on a professional register approved by the Revenue – but only if this is a condition of your employment.**

✓ **Expenses relating to entertaining customers, but only if you can claim these expenses back from your employer, or pay them out of an expense allowance given specifically for entertaining; expenses incurred strictly in the course of doing your job.**

✗ Other entertainment expenses.

✓ **Reasonable hotel expenses when you have to travel because of your job (if you have a permanent home).**

✗ Travel to and from your place of work.

✓ **Use of home for work. You can normally claim a proportion of the heating and lighting costs, and possibly a proportion of telephone, cleaning and insurance costs. These expenses are allowed only if it is necessary that you carry out some of your duties at or from home (if, for example, it is an express or implied condition of your employment).**

✓ **Interest on loans to buy equipment necessary for your job; part or all of the interest on a loan to buy a car for business use.**

✗ Overdraft or credit card interest.

✓ **Car running costs within certain limits. You can claim the whole cost if you use your own car only and necessarily to do your job. You can claim a proportion of the cost if you use it privately as well. If your employer requires you to use your own car for business purposes, and you're paid less than it costs you, claim the extra cost up to the maximum allowed. If you pay for the running costs of a company car, claim a proportion of the cost for business mileage. See Inland Revenue booklet IR125 *Using your own car for work*.**

Self-employment

You will have to complete supplementary pages SE1 to SE4 for self-employment if you worked for yourself in a trade, profession or vocation in the UK or abroad during the 2000-2001 tax year. This chapter takes you through these pages.

Before you start filling in the form, collect together:

- your business accounts covering your 'basis period' (see below) for the 2000-2001 tax year
- your books and records if you do not have accounts
- details of all goods bought and sold
- all receipts and expenses.

Keep records of business transactions relating to the 2000-2001 tax year until at least 31 January 2007.

Read through the form and the Inland Revenue notes on self-employment before starting, and order any helpsheets you think you might need from the Revenue orderline (0845 9000 404).

HOW PROFITS ARE TAXED

When you start in business, you choose an accounting period over which your tax will be worked out.

You can choose any 12-month period you wish, so it can, for example, coincide with the tax year – 6 April to 5 April. Alternatively, it could be the calendar year (1 January to 31 December), the 12 months from the date you started in business, or whenever you want.

Each tax year, you pay tax according to the profit or loss for the 'basis period' that ends in the tax year. After the first two or three years in business your basis period is the same 12 months as your accounting period. So, for instance, if your accounting period is 1 January to 31 December, you pay tax in 2000-2001 on profits you earned in the 12 months to 31 December 2000. If, however, you have just started in business, or you have been trading for only a short time, the rules are different and your basis period may be longer or shorter than your 12-month accounting period. If this applies to you, see Inland Revenue helpsheet IR222 or ask your tax office or accountant (if you use one) which figures you should use for your tax return.

BUSINESS DETAILS

The first part of the form (not illustrated) asks you for general details.

3.1 to 3.3 Enter here the name, description and address of your business.

3.4 and 3.5 Enter here the start and end date of your accounting period.

3.6 Tick this box if the name or address of your business has changed since your last tax return.

3.7 and 3.8 Give the date your business started if after 5 April 1998 or the date it closed if before 6 April 2001.

3.9 Tick this box if you are a foster carer or adult carer, or you carry out your business wholly overseas. If this applies, you may only need to complete a limited number of boxes. See Inland Revenue notes on self-employment, page SEN10.

3.10 Tick this box if you don't need to give details from any of your accounts this year – this might apply if you've just started in business, say.

If this applies to you, leave boxes 3.14 to 3.73 and 3.99 to 3.115 blank, but fill in boxes 3.94 to 3.98 of the self-employed tax return. ▶

MORE HELP

INLAND REVENUE HELPSHEETS

IR220 More than one business
IR222 How to calculate your taxable profits
IR224 Farmers/market gardeners
IR227 Losses
IR229 Information from your accounts

INLAND REVENUE LEAFLETS

SA/BK3 Self assessment. A guide to keeping records for the self-employed

3.11 If there is a gap between the end of your previous accounting period and the beginning of this one, you need to tick this box and explain why in the 'Additional information' box on page SE4 of these pages.
3.12 and 3.13 These boxes only apply if your accounting date has changed. See helpsheet IR222 for more information.

CAPITAL ALLOWANCES – SUMMARY

There is a summary of what you can and can't claim as capital allowance, and what you should declare as balancing charges, on page SEN4 of the Inland Revenue notes for self-employment. Alternatively, wait for the *Which? Tax Saving Guide,* which is published in June, for more information.

Boxes 3.14 to 3.23 summarise these figures.

TURNOVER BELOW £15,000

If your annual turnover is below £15,000 for a full year, fill in this special shortened section about your income and expenses instead of the longer section on page SE2.
3.24 Enter your turnover and other taxable business receipts. Include the normal selling price of all goods taken out of the business (less anything you paid for them) for your personal use or for your family or friends.
3.25 This is for allowable business expenses. Page SEN7 of the Inland Revenue notes on self-employment lists these.
3.26 Deduct 3.25 from 3.24 to give your net profit for the year.

TURNOVER £15,000 OR MORE

If your annual turnover was £15,000 or more, you must fill in this section.
3.27 and 3.28 If you are not registered for VAT, ignore

these two boxes. If you are VAT registered, you can choose to enter your business income and expenses net or inclusive of VAT. If you include VAT in the figures in this section, tick box 3.27. If you exclude VAT, tick box 3.28. For more information on VAT, see the Revenue's notes on self-employment, page SEN4.
3.29 Enter your turnover for the year. If this includes income which has already had tax deducted, enter in box 3.98 the total tax deducted between 6 April 2000 and 5 April 2001, but don't include any deductions made by contractors.
3.30 to 3.63 This section is numbered fairly illogically. Start by listing all your expenses in boxes 3.46 to 3.48 and 3.51 to 3.63. Some of the amounts you enter in these boxes may not be allowable for tax purposes (see the list on page SEN7 of Revenue's notes for self-employment). These 'disallowable' amounts (if any) need to be entered in boxes 3.30 to 3.45.

To work out your gross profit (or loss), add together the amounts in boxes 3.46, 3.47 and 3.48, and deduct this total from your gross turnover figure in 3.29. Put the result into box 3.49. Then enter in box 3.50 any income not included in box 3.29 (but don't include anything you received as a business start-up allowance).
3.64 Add up your total expenses from boxes 3.51 to 3.63 and enter the result here.
3.65 Add your gross profit at 3.49 to any figure in box 3.50 (if, instead, you made a loss at 3.49, subtract it from the figure in box 3.50). If this means you made an overall profit, deduct your total expenses (3.64) and enter the result into box 3.65. If you made an overall loss after taking your gross loss from your other income, add your expenses to this and enter the result in brackets at 3.65.

TAX ADJUSTMENTS TO NET PROFIT OR LOSS

This section deals with any amounts you must either add or subtract from your net profit or loss.
3.66 First, add together the amounts in boxes 3.30 to 3.45 (if any) to get your total disallowable expenses.
3.67 Then total up goods taken out of the business for your personal use or for family and friends (you should use the normal selling price of such goods). Deduct any amount you paid into the business for these goods.
3.68 An adjustment known as a balancing charge may arise when you sell an item, give it away, or stop using it in your business. Balancing charges are added to your taxable profits and the total of these charges (if any) should be entered here – bring forward this amount from box 3.23.
3.69 Work out the total amount to be added to your net profit (or deducted from a net loss) by adding together boxes 3.66, 3.67 and 3.68, and then put the result here.
3.70 You can claim tax allowances called capital allowances (for example, on large items like vehicles or computers), which are deducted from your taxable profits. Put the total capital allowances you are claiming here – bring this figure forward from box 3.22.
3.71 This is for any amounts

Capital allowances - summary

	Capital allowances	Balancing charges
• Cars (Separate calculations must be made for each motor car costing more than £12,000 and for cars used partly for private motoring.)	3.14 £	3.15 £
• Other business plant and machinery	3.16 £	3.17 £
• Agricultural or Industrial Buildings Allowance (A separate calculation must be made for each block of expenditure.)	3.18 £	3.19 £
• Other capital allowances claimed (Separate calculations must be made.)	3.20 £	3.21 £
	total of column above	total of column above
Total capital allowances/balancing charges	3.22 £	3.23 £

Income and expenses - annual turnover £15,000 or more

You must fill in this Page if your annual turnover is £15,000 or more - read the Notes, page SEN2

If you were registered for VAT, do the figures in boxes 3.29 to 3.64, include VAT? **3.27** ☐ or exclude VAT? **3.28** ☐

Sales/business income (turnover) **3.29** £

	Disallowable expenses included in boxes 3.46 to 3.63	Total expenses	
• Cost of sales	**3.30** £	**3.46** £	
• Construction industry subcontractor costs	**3.31** £	**3.47** £	
• Other direct costs	**3.32** £	**3.48** £	box 3.29 *minus* (box 3.46 + 3.47 + 3.48)
		Gross profit/(loss)	**3.49** £
		Other income/profits	**3.50** £
• Employee costs	**3.33** £	**3.51** £	
• Premises costs	**3.34** £	**3.52** £	
• Repairs	**3.35** £	**3.53** £	
• General administrative expenses	**3.36** £	**3.54** £	
• Motor expenses	**3.37** £	**3.55** £	
• Travel and subsistence	**3.38** £	**3.56** £	
• Advertising, promotion and entertainment	**3.39** £	**3.57** £	
• Legal and professional costs	**3.40** £	**3.58** £	
• Bad debts	**3.41** £	**3.59** £	
• Interest	**3.42** £	**3.60** £	
• Other finance charges	**3.43** £	**3.61** £	
• Depreciation and loss/(profit) on sale	**3.44** £	**3.62** £	
• Other expenses	**3.45** £	**3.63** £	
	Put the total of boxes 3.30 to 3.45 in box 3.66 below	**Total expenses**	total of boxes 3.51 to 3.63 **3.64** £
		Net profit/(loss)	boxes 3.49 + 3.50 *minus* box 3.64 **3.65** £

Tax adjustments to net profit or loss

• Disallowable expenses	total of boxes 3.30 to 3.45 **3.66** £	
• Goods etc. taken for personal use and other adjustments (apart from disallowable expenses) that increase profits	**3.67** £	
• Balancing charges (from box 3.23)	**3.68** £	boxes 3.66 + 3.67 + 3.68
Total additions to net profit (deduct from net loss)		**3.69** £
• Capital allowances (from box 3.22)	**3.70** £	boxes 3.70 + 3.71
• Deductions from net profit (add to net loss)	**3.71** £	**3.72** £
		boxes 3.65 + 3.69 *minus* 3.72
Net business profit for tax purposes (put figure in brackets if a loss)		**3.73** £

Adjustments to arrive at taxable profit or loss

Basis period begins	3.74 / /	and ends	3.75 / /
Profit or loss of this account for tax purposes (box 3.26 or 3.73)			3.76 £
Adjustment to arrive at profit or loss for this basis period			3.77 £
• Overlap profit brought forward	3.78 £	• Deduct overlap relief used this year	3.79 £
• Overlap profit carried forward	3.80 £		
Adjustment for farmers' averaging *(see Notes, page SEN8 if you made a loss for 2000-2001)*			3.81 £
Adjustment on change of basis			3.82 £
Net profit for 2000-2001 (if you made a loss, enter '0')			3.83 £
Allowable loss for 2000-2001 (if you made a profit, enter '0')	3.84 £		
• Loss offset against other income for 2000-2001	3.85 £		
• Loss to carry back	3.86 £		
• Loss to carry forward (that is allowable loss not claimed in any other way)	3.87 £		
• Losses brought forward from earlier years	3.88 £		
• Losses brought forward from earlier years used this year			3.89 £
Taxable profit after losses brought forward			box 3.83 *minus* box 3.89 3.90 £
• Any other business income (for example, Business Start-up Allowance received in 2000-2001)			3.91 £
Total taxable profits from this business			box 3.90 + box 3.91 3.92 £
• Tick box 3.93 if the figure in box 3.92 is provisional			3.93

you took into account in arriving at your net profit or loss, which are either not taxable receipts or are not taxable as profits (interest from savings, for example). Amounts in this box will be deducted from your net profit (or added to a net loss). If any of this income is taxable (interest from savings would be, for example), you must include it in the appropriate part of your tax return.

3.72 Add together the amounts in boxes 3.70 and 3.71 and put the result here.

3.73 If the figure you show in box 3.65 is a profit figure, add any figure in box 3.69 and deduct any figure in box 3.72. Enter the result here. This is your final business profit for the tax year.

If you made a loss at box 3.65, subtract the figure in box 3.69 and add the figure in box 3.72. If you made an overall loss, put the figure in brackets.

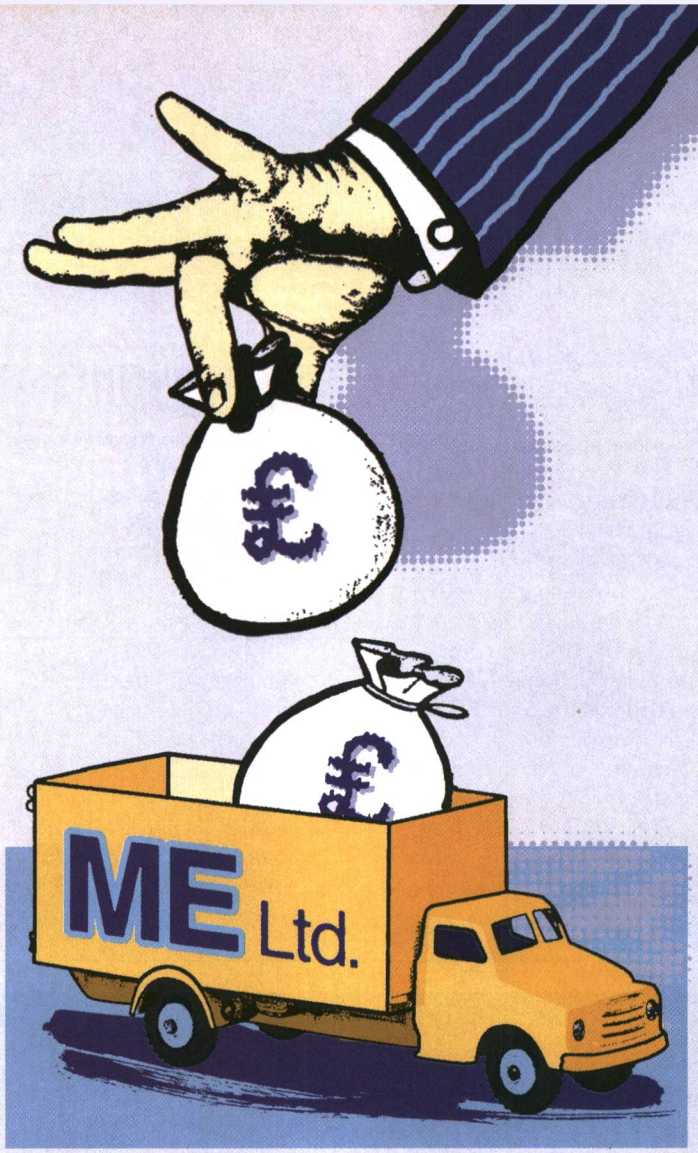
ADJUSTMENTS TO ARRIVE AT TAXABLE PROFIT OR LOSS

If you have more than one set of accounts covering the 2000-2001 basis period (for example, if you are still in the first years of setting up your business), you should provide details for this section from your most recent accounts.

3.74 and 3.75 Enter the date on which your basis period for the 2000-2001 tax year starts and ends (see 'How profits are taxed', p21).

3.76 Copy your profit or loss figure (whichever applies to you) from box 3.26 or 3.73 into box 3.76 (enter a loss in brackets). If you ticked box 3.10 enter '0' in box 3.76 and include the appropriate amount of any profit returned last year in your entry for the next box 3.77.

3.77 If your basis period is not the same as the period covered by your accounts, you may need an adjustment to the figure in box 3.76, which goes here. Refer to Revenue helpsheet IR222, which explains how to calculate this adjustment. If the adjustment means you have to deduct a figure at box 3.77, enter the figure in brackets and remember to subtract it when



you are calculating your total taxable profits.

3.78 to 3.80 These boxes deal with overlap profit and relief. You might be able to claim overlap relief if you closed or sold your business during 2000-2001 or if you changed your accounting date and your basis period exceeds 12 months. Box 3.78 is for unused overlap profit brought forward from 1999-2000, box 3.79 is for overlap profit used in 2000-2001, and box 3.8 is for any unused overlap profit carried forward to 2001-2002.

3.81 This applies only if you are a farmer or market gardener. See the Inland Revenue notes, page SEN8, and helpsheet IR224 *Farmers and market gardeners*.

3.82 If you've changed from calculating your profits on a 'cash' or 'conventional' basis, there may be an adjustment to your profit – see the Revenue's notes on self-employment, page SEN10.

3.83 If the figure in box 3.76 and the adjustment boxes 3.77 and 3.79 still result in a profit for 2000-2001, enter this figure here and enter '0' in box 3.84 (losses for this tax year).

3.84 If, after all adjustments, you have made a loss, put the figure here and '0' in box 3.83, unless you have claimed farmer's averaging at box 3.81. If so, enter the profit resulting from the claim in box 3.83 and the loss in box 3.84.

Losses

If you have made an overall loss, you may be able to claim relief. See Inland Revenue helpsheet IR227.

3.85 If you wish to offset your 2000-2001 loss against other income you received in 2000-2001, enter the amount you are claiming here.

3.86 To offset the loss against an earlier year's income, enter the loss you wish to claim in this box. If you have already claimed it, still include it here and provide details in the 'Additional information' section on the last page of the self-employment pages, SE4.

3.87 This is for any losses you made in 2000-2001 that you wish to carry forward to use against future profits.

3.88 and 3.89 Enter in box 3.88 any loss you have made in this business in years before 2000-2001 that you have brought forward but not yet used. You can use this loss against any profit shown in box 3.83 by entering in box 3.89 the amount you are deducting (up to the figure in box 3.83).

3.90 Take your net profit from 3.83 and deduct any losses brought forward from earlier years (box 3.89) to arrive at your taxable profit or loss brought forward.

3.91 Use this box to declare any other business income not already included elsewhere on your return (for example, business start-up allowance received in 2000-2001).

3.92 This is your final taxable profit for the year and is the total of boxes 3.90 and 3.91.

CLASS 4 NI CONTRIBUTIONS

For the 2000-2001 tax year, self-employed people pay Class 4 National Insurance contributions on taxable profits between £4,385 and £27,820. The rate paid is 7 per cent. However, you may not have to pay if you are:

- a man aged 65 or over or a woman aged 60 or over at 6 April 2000 (this includes a person whose birthday fell on 6 April 2000)
- aged under 16 on 6 April 2000 and if the Inland Revenue National Insurance Contributions Office has granted you 'exception'. (To apply for exception, complete form CA2835U, which is available from the Inland Revenue National Insurance Contribution Office)
- not resident in the UK for tax purposes during 2000-2001
- a trustee, or a diver or diving supervisor.

If you have income from employment, and pay employee's National Insurance contributions (Class 1), you may not have to pay Class 4 National Insurance as well. Your Class 4 contributions might be deferred until your overall contributions can be determined.

However, only the National Insurance Contributions Office can agree to deferment – ask for leaflet CA72, available ▶

Class 4 National Insurance Contributions

• Tick box 3.94 if exception or deferment applies	3.94	
• Adjustments to profit chargeable to Class 4 National Insurance Contributions	3.95	£
Class 4 National Insurance Contributions due	3.96	

from the Contributions Office, which has more details.

3.94 Tick this box if an exception or deferment applies and enter '0' in boxes 3.95 and 3.96. You must explain in the 'Additional information' box why you are claiming either an exception or deferment.

3.95 Enter any adjustments to your net profit for National Insurance purposes. There's a working sheet on page SEN9 of the Revenue's notes on self-employment that explains whether any adjustment applies to your business.

3.96 Enter the amount of Class 4 National Insurance that is due on the profit you made in 2000-2001. Use the working sheet on page SEN9.

CONSTRUCTION INDUSTRY SUBCONTRACTORS

3.97 If you are a subcontractor in the building industry, you may have received payments under the Construction Industry Scheme. If so, enter in this box the total deductions made on account of tax from payments made to you during the period 6 April 2000 to 5 April 2001. The Revenue's notes on self-employment, page SEN10, give more information, and the Inland Revenue provides various leaflets for subcontractors in the construction industry.

SMALL BUSINESS HELP

England 08456 045678
www.businessadviceonline.org
Wales 08457 969798
www.businessconnect.org.uk
Scotland 08456 096611
www.sbgateway.com
Northern Ireland 028 9049 1031
www.ledu.com

SUMMARY OF BALANCE SHEET

If you don't have accounts or a balance sheet, or your turnover was less than £15,000, leave this section blank. If you do complete this section, read page SEN10 of the Revenue's notes on self-employment. If you have accounts and they include a balance sheet, you can simply copy the entries from your accounts to this section of the return.

3.99 to 3.115 Make sure you transfer all figures to the summary and include each one only once. Don't include figures that do not appear in your balance sheet.

Summary of balance sheet

Leave these boxes blank if you do not have a balance sheet

■ *Assets*	• Plant, machinery and motor vehicles	3.99 £		
	• Other fixed assets (premises, goodwill, investments etc.)	3.100 £		
	• Stock and work-in-progress	3.101 £		
	• Debtors/prepayments/other current assets	3.102 £		
	• Bank/building society balances	3.103 £	total of boxes 3.99 to 3.104	
	• Cash in hand	3.104 £	3.105 £	
■ *Liabilities*	• Trade creditors/accruals	3.106 £		
	• Loans and overdrawn bank accounts	3.107 £	total of boxes 3.106 to 3.108	
	• Other liabilities	3.108 £	3.109 £	
■ *Net business assets* (put the figure in brackets if you had net business liabilities)			box 3.105 *minus* 3.109	
			3.110 £	
■ *Represented by*				
	Capital Account			
	• Balance at start of period*	3.111 £		
	• Net profit/(loss)*	3.112 £		
	• Capital introduced	3.113 £		
	• Drawings	3.114 £	total of boxes 3.111 to 3.113 *minus* box 3.114	
	• Balance at end of period*		3.115 £	

* If the Capital Account is overdrawn, or the business made a net loss, enter the figure in brackets.

Capital gains/Land and property

Anyone who made a capital gain or received income from letting land or property during the tax year, read on.

If this is the first year you have come across the capital gains tax or land and property pages, you might want to wait until the *Which? Tax Saving Guide* is published in June, as this can help you with the tax rules for these types of income.

Capital gains

If you made any capital gains during the 2000-2001 tax year, you must fill in the capital gains pages.

However, you won't have to fill in these pages if:

- the gain arose from disposing of your only or main residence; and
- other assets you disposed of during the tax year were worth £14,400 or less in total; and
- your chargeable gains (before losses and taper relief) were £7,200 or less.

You can make a capital gain (or loss) whenever you dispose of an asset, either by selling it or by giving it away.

There are eight capital gains tax pages, although you may not have to complete all of them. The pages you complete depend on the type of disposals you made during the tax year.

Page CG1 is for taxpayers who have straightforward transactions involving only quoted shares or securities (see 'Hints and tips', p7).

Fill out page CG1 and ignore CG2 to CG6 if:

- all the transactions you undertook during 2000-2001 involved quoted shares or securities; and
- taper relief is not available to reduce any of the gains; and
- you are not claiming any tax reliefs, other than indexation allowance, which may reduce your gains.

(See the Inland Revenue's notes on capital gains, page CGN14 and CGN17, and/or the *Which? Tax Saving Guide*, June 2001, for information on indexation allowance and taper relief.)

If these conditions don't apply, ignore CG1 completely and fill out CG2 to CG6.

PAGE CG1

Page CG1 is divided into columns (A to F), and asks for details of each transaction you made during the year – when you disposed of it, any gain or loss, and so on. You have room to enter eight transactions. If you had more, photocopy the page before you fill it in. Make sure your name and tax reference is on each page, but fill in the totals boxes (F1 to F7) only on the final page.

Page CGN3 of the Inland Revenue's notes on capital gains gives useful and clear background information about the type of details you should enter on this page. Once you've filled in page CG1, go straight to page CG8.

PAGES CG2 AND CG3

Like CG1, these pages are split into columns requesting information about each gain (or loss) you have made.

There's an extra column (AA), which doesn't appear on CG1; it asks what type of asset you disposed of. Enter Q if the transaction involved quoted shares; U for unquoted shares; L if it was land and property, or O if it was another type of asset. There is room to enter details of ten separate gains and four losses. If you made more transactions than this, ▶

photocopy the pages first. Read the Revenue's notes on capital gains, pages CGN4 to CGN6, for full details of what information you should enter in each column.

PAGES CG4 TO CG6

If you completed pages CG2 and CG3, you must now provide additional information about each transaction using pages CG4 to CG6. Unquoted shares or securities go on CG4, land and property on CG5, and other assets on CG6.

On all these pages, enter a description of the assets, any connection (such as marriage) with the person who acquired them, and say why any estimate or valuation was used. Tick the box if you used form CG34 to have your valuations checked by the Inland Revenue.

Remember to photocopy these forms if you made more transactions than there is room to describe them.

ADDITIONAL INFORMATION

Use page CG7 to give further information about entries on previous pages or if you need more space.

CHARGEABLE GAINS AND ALLOWABLE LOSSES, CG8

Everyone must fill this page in. First you need to confirm whether you've used any estimates or valuations, and whether you are claiming any tax reliefs to reduce your gains. List the number of transactions in each category (quoted shares, land and property, and so on).

8.7 Enter your total taxable gain, brought forward from CG1 or CG3.

8.8 You don't pay tax on the first £7,200, the 'annual exempt figure' for 2000-2001. So deduct £7,200 from the amount in box 8.7 and enter the result at 8.8.

8.9 Fill this in only if you have any additional liability because you are treated as receiving capital or a benefit from any non-resident or dual resident trusts. See Inland Revenue helpsheet IR301 for more details. Enter the name and tax reference of the trust, if you know it, as additional information in the box on page CG7.

CAPITAL LOSSES

If you make a loss, you can offset this against gains you make, or sometimes against other income.

This year's losses

8.10 to 8.12 Show the total losses made during 2000-2001 and the way you wish to offset them against your gains.

8.13, 8.13A and 8.13B You may be able to set some losses against income (instead of against capital gains), but read the Inland Revenue's notes on capital gains, page CGN9, before you enter any figures.

8.14 Enter any remaining losses that you want to carry forward to set against gains in future years.

Earlier years' losses

8.15 to 8.19 Give details of losses you made in previous tax years and haven't yet used against gains. The return splits them into those made in 1995-1996 and earlier, and those made in 1996-1997 and later. You must use losses made on or after 6 April 1996 before losses made earlier. Also, losses made on and after 6 April 1996 must be formally claimed from the Inland Revenue within six years of the date of the loss. Boxes 8.15 to 8.19 summarise this information.

Total of unused losses

8.20 and 8.21 At the bottom of page CG8, enter any losses that you've not used against capital gains and which you wish to carry forward to future tax years.

Land and property

Anyone who receives income from letting out land or renting out property must fill in the land and property supplementary pages.

This applies to people who have rental businesses with several properties, as well as to individuals who may simply have one property they let, and people who take lodgers into their home.

Don't, however, include income from a hotel or bed and breakfast – this goes in the self-employed supplementary pages. Income from overseas property goes in the foreign supplementary pages. Partnership property income should be entered in the partnership supplementary pages. Taxable profits from the sale of land or property go in the capital gains tax pages.

MORE HELP

INLAND REVENUE LEAFLETS

IR87 Letting and your home

IR150 Taxation of rents: a guide to property income

INLAND REVENUE HELPSHEETS

IR250 Capital allowances and balancing charges in a rental business

IR279 Taper relief

IR283 Private residence relief

LAND AND PROPERTY

The first question on page L1 asks whether you are claiming rent-a-room relief. You can claim this if you let rooms in your only or main home and the rent you receive is less than £4,250 (or £2,125 for shared claims). If you answer 'yes', and this is your only income from land or property, the income is tax free and you can ignore the rest of the land and property pages. The rest of page L1 deals with furnished holiday lettings. Page L2 applies to other property income. The sections on each page are similar.

Income

L1: 5.1 and L2: 5.19 to 5.22 The first section on both pages asks for your income. This is fairly simple for furnished holiday lettings (just enter a total at 5.1). If you have other property income, re-enter this figure at 5.19. In box 5.20, enter all other rental income (except chargeable premiums) you received in the 2000-2001 tax year. If any tax has already been deducted (likely only if you mostly live outside the UK), enter it in 5.21.

L2: 5.22 and 5.22A Enter chargeable or reverse premiums here, not in box 5.21 (these include lump sums you receive for the grant of a lease or in connection with the right to possess a property). These are taxable on a special basis.

For leases over 50 years, the whole premium is treated as a 'capital receipt' and does not form part of your rental income. For leases of up to 50 years, the premium is treated as partly capital and partly rent, and only the rent is taxable. See the Inland Revenue's notes on land and property, page LN5.

L2: 5.23 Add together any amounts in 5.19, 5.20 and 5.22 and 5.22A.

Expenses

L1: 5.2 to 5.8 and L2: 5.24 to 5.30 The types of expenses you can claim against your property income are similar on L1 and L2. Once you've broken them down into the six types, enter the total in the relevant box (5.8 or 5.30).

L1: 5.9 and L2: 5.31 This is your net profit. Deduct total expenses from total property

income (5.1 or 5.23). If you made a loss, put brackets around the figure.

TAX ADJUSTMENTS

Whatever the source of your rental income, there may be adjustments which increase or decrease your net profit for tax purposes.

Private use

L1: 5.10 and L2: 5.32 You can't offset private or personal expenses against rental income. However, if you spend money on something used partly for your own use and partly for your rental business, you have two options:

- you can enter just the part of the expense relating to your rental business under the expenses section; or
- you can enter the total amount in the expense section, and in the private use section put the amount that represents your personal use. Any figure entered into 'private use' will be added to your net profit.

Balancing charges

L1: 5.11 and L2: 5.33 If you sell, give away or stop using an item in your business, a balancing charge might arise. You will need Inland Revenue helpsheet IR250 to decide whether or not this applies to you. Balancing charges are added to your net profit.

Rent-a-room exempt amount

L2: 5.35 If your total income from letting furnished rooms in your only or main home exceeds £4,250 (or £2,125 if you own the property with another person), you have a choice of how to deal with this income:

- claim rent-a-room relief, and pay tax only on the amount of rent over £4,250 (or £2,125). If you take this route, you can't claim any expenses. To do this, answer 'no' to the rent-a-room question on page L1 (because your rent is above £4,250), but put the total rent received in box 5.20 (in the income section) on page L2. Then, in box 5.35, put the £4,250 or £2,125 rent-a-room relief
- alternatively, if you don't claim rent-a-room relief, you can calculate your income from letting rooms in your home in the same way as any other rental income – deduct allowable expenses from gross rents received. Tick the 'no' box under the rent-a-room question on page L1, and enter your income in the normal way under 'other property income'.

Capital allowances

L1: 5.13 and L2: 5.36 You can't deduct the cost of buying, altering, building or installing fixed assets like machinery from your property income, but you might be able to claim capital allowances instead. See Revenue helpsheet IR250 for allowances you can claim.

10 per cent wear and tear

L2: 5.37 If you let a dwelling house (or flat) as furnished accommodation (but not as a holiday home) in the UK, you can't claim capital allowances but you may be able to claim a 'wear and tear' deduction on furniture and fittings.

You can either claim the net cost of replacing an item of furniture (known as the renewals basis) or an allowance (known as wear and tear allowance) of 10 per cent of the rent received after deducting charges or services normally paid by the tenants.

If you choose the 'renewals' basis, the amount claimed should be entered in box 5.25 as an expense, together with any costs for repairs or maintenance. If you choose the wear and tear allowance, put the cost in box 5.37 as a tax adjustment.

Furnished holiday lettings losses

L2: 5.38 If you made a loss from furnished holiday lettings (see below), you can treat this as a tax adjustment against other property income if you have any. Enter any loss from 5.18 here if you want furnished holiday letting losses treated this way.

Profit for the year

L2: 5.40 to 5.43 These boxes summarise your income and expenses for the year and show whether you have made a profit or loss.

LOSSES

If you make a loss from your letting business, you can use it in different ways depending on whether it arises from furnished holiday lettings or another type of letting.

L1: 5.15 to 5.18 and **L2: 5.44 and 5.45** These sections deal with losses. Read the Revenue's notes on land and property, pages LN4, LN7 and LN8, or telephone your tax office for help.

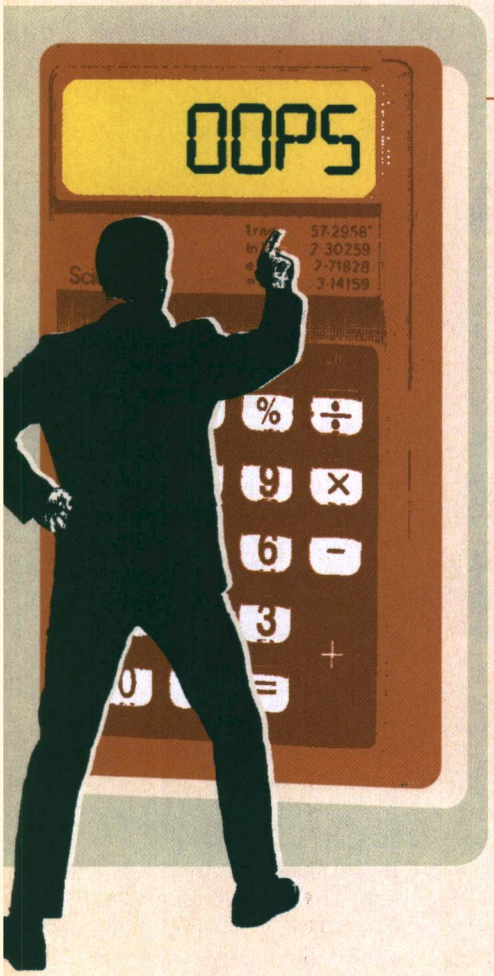
Other information

L2: 5.46 This box refers only to agricultural estates or estates over which there exists a special election known as a one-estate election. See helpsheet IR251.

L2: 5.47 If you own and let property jointly with one or more other people, tick this box. Only enter your share of the income in these pages.

L2: 5.48 Tick this box if you stopped receiving property income in the year to 5 April 2001 and you don't expect to receive such income again in the year to 5 April 2002.

DOING YOUR TAX SUMS



Our simple calculators on pages 32 to 35 will help you work out whether you've paid the right tax or whether the Inland Revenue owes you a refund.

Even if you decide to let the Revenue do the hard work and calculate your tax bill for you, you should still check the figures – the Inland Revenue has been known to make the odd mistake.

To make life easier, we've supplied three calculators to help you work out your tax correctly. The calculator on p32 works out whether you owe capital gains tax (CGT). The one on p33 tells you whether you qualify for a higher personal or married couple's allowance. The final calculator, on p34 to 35, works out your total income tax bill. For instructions on how to use it, see 'The income tax calculator', opposite.

CAPITAL GAINS CALCULATOR

When you give away or sell an asset you own, you may have to pay capital gains tax. Our calculator (p32) works out whether you have made a gain and, if so, whether you need to pay tax. If you made more than one disposal in 2000-2001, treat each separately and work through steps 1 to 5. Add up all chargeable gains at step 6 to see whether you must pay capital gains tax.

Add your total chargeable gains eligible for tax to your other taxable income. Any gains that fall into the starting-rate band get taxed at only 10 per cent. If your gains fall into the basic-rate band, they're taxed at 20 per cent. Any gains that fall into the higher-rate band will be taxed at 40 per cent. Our table 'Allowances and tax bands' on p3 gives the band limits.

Indexation allowance

This allowance stops you paying tax on increases in value caused by inflation, but only applies up to April 1998. At step 2, to find the 'indexed cost' (the value after indexation of an asset or expense) you need the indexation factor for the month you acquired the asset (or incurred the expense). Then multiply the initial cost of the asset or expense by the relevant indexation factor – see the example alongside the table, opposite.

The table gives indexation factors from March 1982 (special rules apply if you owned the asset before then – see page CGN15 of the Revenue's notes on capital gains) until March 1998, after which indexation isn't available (it was replaced by taper relief).

Taper relief

Taper relief was introduced in the March 1998 Budget. It reduces the chargeable gain depending upon the length of the time you've owned the asset since 5 April 1998. The amount of taper relief you receive also depends on whether an asset is a business or non-business asset – taper relief is more generous for business assets.

You must own a non-business asset for at least three full years and a business asset for at least one year from 5 April 1998 before taper relief starts to reduce your tax bill. However, non-business assets held before 17 March 1998 (budget day) have an extra bonus year added to the qualifying period of ownership. 2000-2001 is the first year you can claim taper relief for a non-business asset, but only if you owned the asset before 17 March 1998. If you did, and you disposed of the asset on or after 6 April 2000, you have three qualifying years of ownership and are entitled to taper relief on your gain of 5 per cent. This means, in effect, that only 95 per cent of the gain is taxed. Business assets with one year's qualifying ownership attract 12.5 per cent relief (so 87.5 per of the gain is liable to tax), those with two years qualifying ownership attract 25 per cent relief (75 per cent is taxed).

ALLOWANCE CALCULATOR

Everyone is entitled to a personal allowance, which is the amount of income you can receive free of tax each year. Married couples where at least one spouse was born before 6 April 1935 are also still eligible for the married couple's allowance, which reduces the tax bill still further. Once you turn 65 or 75 (even if you do so on the last day of the tax year, 5 April), these allowances increase. They are usually referred to as age-related allowances.

The amount of age-related allowance you get depends on income as well as your age. Age-related allowances are reduced by £1 for every £2 of income over £17,000.

Although it may seem odd, it's always the husband's income that affects the age-related married couple's allowance – even if a couple qualify because of the wife's age. When a married man's income exceeds £17,000, his age-related personal allowance is reduced first. If it's reduced to the level of the basic personal allowance, the couple then start to lose the age-related married couple's allowance (providing they are still eligible for it, of course).

Neither allowance can be reduced below the level of the ordinary personal and married couple's allowance. And a husband's income can't affect his wife's age-related personal allowance.

THE INCOME TAX CALCULATOR

The tax calculation guide sent with your tax return allows you to work out your tax bill. But if your tax affairs are quite straightforward, our calculator (p34) quickly gives your income tax bill for 2000-2001.

Use the tax bands

Different rates of tax now apply to different types of income. This means that the order in which you use up your tax allowances, and slot your income into the basic-rate tax band and the £1,520 starting-rate band, can make a difference. The calculator splits your income into types so that it makes the most of your allowances and tax bands.

The current rules make working out your tax complicated if you have income of lots of different types – dividends and taxable life insurance gains, say, as well as job or pension income. To keep our calculator simple, it doesn't take account of:

- taxable gains from life insurance
- taxable lump sums from employers
- charitable payments under a deed of covenant or Gift Aid scheme if you pay little or no tax
- double taxation relief on income from abroad, otherwise foreign income is treated largely as if it were UK income of the same type
- any over- or under-payments of tax from a previous tax year.

If anything in this list applies to you, use the Inland Revenue's full tax calculation guide instead.

What to enter

The calculator first works out the tax due on your gross income minus gross tax-allowable deductions. It then takes account of other tax relief due and tax already paid.

Dividends and most savings income are usually received net (after deduction of tax). And you make some tax-allowable payments net by first deducting basic-rate relief – such as donations to charity under a deed of covenant or Gift Aid, and employees' free-standing additional voluntary contributions and personal pension payments. To find the gross amount, either add together your net amount plus the tax, or divide the net amount by 0.8 for savings, 0.9 for dividends, and 0.78 for charitable donations and net pension payments.

If any calculation results in a negative figure, enter zero (except in the last box). And check the letters carefully – 'A' and 'a' are different boxes.

Allowances

Only personal and blind person's allowance (step 2) give full tax relief.

For 2000-2001, additional personal allowance has been abolished and married couple's allowance and maintenance deduction are available only if you (or your husband or wife) were born before 6 April 1935. Widow's bereavement allowance applies only if your husband died between 6 April 1999 and 5 April 2000. If this applies, see p15 and p33 for further information.

The married couple's allowance and blind person's allowance can be transferred between spouses. Include any transferred amount with your own allowances.

Tax-free income

Don't include in the calculator any tax-free income such as:

- savings or investment income from Isas, Peps, Tessas or Friendly Society tax-exempt plans
- the first £70 of interest from the National Savings Ordinary Account; National Savings Certificate interest; Premium Bond prizes
- most proceeds from qualifying life insurance policies; interest on SAYE accounts
- education grants and scholarships
- some damages for personal injury
- interest on tax rebates or on delayed compensation for injury or death
- statutory redundancy pay and some payments from employers
- council tax, housing benefit, rent rebates, and home improvement grants
- adoption allowances and some social security benefits (see p12 of the Inland Revenue's tax return)
- maintenance and alimony
- income from family income benefit life insurance policies
- some insurance benefits paid because you are sick, disabled or unemployed, including income from most permanent health policies
- betting winnings and lottery prizes. ▶

MORE HELP

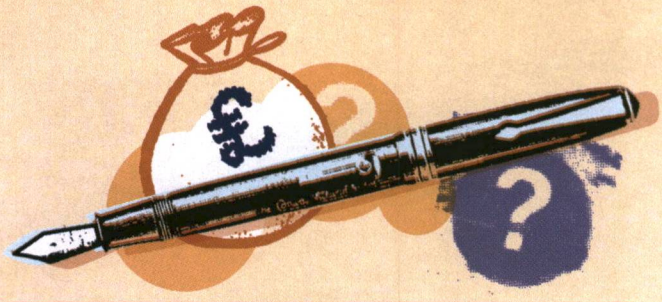
If you're affected by any special rules or types of income not covered by this calculator, you need the Inland Revenue's full tax calculation guide. Call the Inland Revenue orderline on 0845 9000 404 for your copy.

INDEXATION FACTS

Imagine you paid £1,000 for a painting in May 1985 and sold it in May 2000. The indexed cost is £1,000 x 1.708 (factor for May 1985) which gives £1,708. You are liable to tax only on the difference between the selling price and £1,708.

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Jan		1.968	1.872	1.783	1.689	1.626	1.574	1.465	1.361	1.249	1.199	1.179	1.151	1.114	1.083	1.053	1.019
Feb		1.960	1.865	1.769	1.683	1.620	1.568	1.454	1.353	1.242	1.193	1.171	1.144	1.107	1.078	1.049	1.014
March	2.047	1.956	1.859	1.752	1.681	1.616	1.562	1.448	1.339	1.237	1.189	1.167	1.141	1.102	1.073	1.046	1.011
April	2.006	1.929	1.834	1.716	1.665	1.597	1.537	1.423	1.300	1.222	1.171	1.156	1.128	1.091	1.066	1.040	
May	1.992	1.921	1.828	1.708	1.662	1.596	1.531	1.414	1.288	1.218	1,167	1.152	1.124	1.087	1.063	1.036	
June	1.987	1.917	1.823	1.704	1.663	1.596	1.525	1.409	1.283	1.213	1.167	1.153	1.124	1.085	1.063	1.032	
July	1.986	1.906	1.825	1.707	1.667	1.597	1.524	1.408	1.282	1.215	1.171	1.156	1.129	1.091	1.067	1.032	
Aug	1.985	1.898	1.808	1.703	1.662	1.593	1.507	1.404	1.269	1.213	1.171	1.151	1.124	1.085	1.062	1.026	
Sept	1.987	1.889	1.804	1.704	1.654	1.588	1.500	1.395	1.258	1.208	1.166	1.146	1.121	1.080	1.057	1.021	
Oct	1.977	1.883	1.793	1.701	1.652	1.580	1.485	1.384	1.248	1.204	1.162	1.147	1.120	1.085	1.057	1.019	
Nov	1.967	1.876	1.788	1.695	1.638	1.573	1.478	1.372	1.251	1.199	1.164	1.148	1.119	1.085	1.057	1.019	
Dec	1.971	1.871	1.789	1.693	1.632	1.574	1.474	1.369	1.252	1.198	1.168	1.146	1.114	1.079	1.053	1.016	

Capital gains calculator



Use our calculator to work out the gain (or loss) on assets which aren't tax free. If you have made more than one disposal in the 2000-2001 tax year, you will need to work through the first three steps of the calculator separately for each disposal. Then go back and work out steps four and five for each separate gain.

From April 2000, the lower rate of 10 per cent tax also applies to capital gains. So when you fill out your tax return, if your total income is less than the lower rate threshold for tax year 2000-2001, any capital gains below this will be taxed at only 10 per cent.

1 WORKING OUT YOUR UNINDEXED GAIN

Final value Take the final value of the asset when you dispose of it.
Initial value Deduct the asset's initial value when you got it.
Allowable expenditure Deduct any allowable expenditure incurred when acquiring, improving or disposing of the asset. If you have made a loss, enter the amount in brackets and deal with the next disposal. If you made a gain and your period of ownership started before 1 April 1998, go to step **2**. If you have made a gain but your period of ownership started on or after 1 April 1998, ignore steps **2** to **3** for this asset.

Final value [ ]
Initial value [ ]
Allowable expense [ ]
Gross gain (or loss) = [ ]

2 INDEXED COST (applicable if asset owned before 1 April 1998)

To calculate your indexed cost, multiply the initial value and each allowable expense by the indexation factor for the month you acquired the asset or incurred the expense (see the table, p31). If you acquired an asset and incurred an expense in the same month, add them together before multiplying. If you have expenses incurred at different times, work out the indexation on each separately.

Initial value/expense [ ]
Indexation factor x [ ]
Indexed cost = [ ]

3 HAVE YOU MADE A GAIN OR A LOSS?

Deduct the indexed cost (the total in step **2**) from the final value in step **1**. If you're left with a plus figure it is called a **chargeable gain**. If not, you've made a loss.

Chargeable gain [ ]
Loss [ ]

4 YOUR NET CHARGEABLE GAIN

Deduct any losses made in this tax year from your chargeable gain(s). If you are still left with a gain, deduct any losses you have brought forward from previous years, but only enough to reduce your gain to £7,200. To maximise the value of your losses, set them against gains with the least taper relief.

Chargeable gain minus losses [ ]

5 APPLY TAPER RELIEF

Taper relief reduces the amount of a gain chargeable to capital gains tax, depending on the number of full years you have owned the asset after 5 April 1998. The level of relief given also depends on whether the asset is a business or non-business asset. Business assets attract taper relief after one year's qualifying ownership; non-business assets after three. However, non-business assets have an extra year of ownership added to the qualifying period if the asset was owned before 17 March 1998.

For the tax year 2000-2001, only **95 per cent** of any gain on a **non-business asset** owned before 17 March 1998 and disposed of on, or after, 6 April 2000 will attract tax. Multiply any gains in this category by **95 per cent**. 87.5 per cent of any gain on business assets with one year's qualifying ownership is liable to tax. With two years' qualifying ownership, the amount liable to tax reduces to 75 per cent.

Chargeable gain [ ]
Amount of gain chargeable to tax (%) x [ ]
Tapered gain = [ ]

6 YOUR TOTAL CHARGEABLE GAINS

Add up all this year's chargeable gains (after any taper relief).

- If your gains are over £7,200, go to step **7**
- If your gains total £7,200 or less, you have no CGT to pay
- If you have made an overall loss, you have no CGT to pay and you can carry the loss forward to reduce chargeable gains in future years.

Total chargeable gains [ ]

7 YOUR TAX-FREE SLICE

The first £7,200 of chargeable gains that you make in the 2000-2001 tax year are tax free. Deduct your tax-free slice from your net chargeable gains. What's left are your taxable gains.

Tax-free slice – £7,200
Net taxable gains = [ ]

8 AMOUNT OF CGT

For the 2000-2001 tax year, taxable capital gains are taxed as if they were the final slice of your income. This means that the amount of gains on which you have to pay tax is added to your taxable income and taxed at 10 per cent on amounts below the threshold for starting-rate tax (£1,520), 20 per cent on amounts below the threshold for basic-rate tax (£28,400) and at 40 per cent on any amount above that limit.

Gains taxable at 10% [ ] x0.10 = Tax [ ]
+
Gains taxable at 20% [ ] x0.20 = [ ]
+
Gains taxable at 40% [ ] x0.40 = [ ]
Total CGT = [ ]

EXAMPLE

1 Bill sold his holiday home in March 2001 for £85,000 (the final value). It cost £30,000 in January 1983 (the initial value). He spent £6,000 on home improvements in June 1985 and £2,000 on sales fees. He subtracts the initial value and these allowable expenses from the final value, which gives an unindexed gain of £47,000.

2 To find the indexed cost, Bill adds the effect of inflation up to April 1998 to the initial value and to each allowable expense (indexation applies only to periods of ownership before 1 April 1998). To do this, he multiplies the initial value by the indexation factor for the month he bought it, and then each allowable expense by the factor for the month in which it was incurred (see table, p31). To find the indexed cost of the home, he multiplies £30,000 by 1.968 (the factor for January 1983) to give £59,040. The indexed cost of the improvements is £6,000 x 1.704 (the factor for June 1985) which is £10,224. His sales fee was incurred in the month of the sale, so there is no indexation for this expense. Bill's total indexed cost is £59,040 + £10,224 + £2,000 = £71,264.

3 The final value (£85,000) minus the indexed cost (£71,264) gives Bill a chargeable gain of £13,736.

4 Bill has no other gains or losses this year, so his total chargeable gain for 2000-2001 is £13,736. He made a loss of £700 last year that he can apply to his gain. This reduces his gain to £13,036.

5 Bill has a three-year ownership period on his property (including the bonus year added because he owned the property before 17 March 1998) and so qualifies for taper relief. This means only 95 per cent of his gain is liable to tax. This reduces his gain to £12,384.

6 Bill's chargeable gain is more than the tax-free slice of £7,200 so he goes to step 7.

7 Bill deducts £7,200 from his final chargeable gain of £12,384 to leave a chargeable gain of £5,184.

8 Bill's taxable income (after deducting his personal allowance) is £22,600. After adding his gain of £5,184, he is within the threshold for basic-rate tax (£28,400), so his chargeable gain is all taxed at 20 per cent, giving him a tax bill on his gain of £1,036.

Personal allowance calculator

This calculator shows whether you're entitled to full age-related allowance. If you're not, it works out how much you are entitled to.

How to use it
You need to know your total income (broadly, taxable income less some outgoings).

Work out your taxable income (1) and subtract your outgoings (2). Remember to enter gross figures – income before any tax is deducted (ignore tax-free income) and outgoings before any tax relief has been worked out. If your total income (3) comes to £17,000 or below, you get the full age-related allowances shown in the table on p3.

Reduced allowance
If your total income is more than £17,000, use the calculator to work out what proportion of the age-related allowance you're entitled to.

If you earn more than the limit shown at step 4, you get no age-related allowance.

If you earn between £17,000 and the relevant limit, use step 5 to work out how much you get.

1 TAXABLE INCOME: ADD UP YOUR BEFORE-TAX INCOME FOR THE TAX YEAR 2000-2001

Income from your job or business
Don't include contributions to an employer's pension scheme, payroll giving donations and allowable expenses, but include taxable perks and amounts reimbursed for expenses (but only if there is a profit element) [ ]

Income from pensions [ ]

Income from taxed and taxable investments [ ]

Other income (such as income from property) [ ]

INCOME SUB-TOTAL [ ]

2 OUTGOINGS: ADD UP THE GROSS AMOUNT OF TAX-ALLOWABLE PAYMENTS

Charitable giving under Gift Aid, Millennium Gift Aid or a deed of covenant started before 6 April 2000 [ ]

Pension contributions that qualify for tax relief [ ]

Qualifying loan interest – but *not* interest to buy your only or main home [ ]

OUTGOINGS SUB-TOTAL [ ]

3 WORK OUT TOTAL INCOME: DEDUCT OUTGOINGS FROM INCOME [ ]

4 CHECK WHETHER YOUR TOTAL INCOME IS ABOVE LIMIT SHOWN

If your total income is above the income limit shown below, you get no age-related increase. If it is between £17,000 and the limit, you will get a reduced amount of allowance – see step 5 for the amount.

Find the appropriate income limit for someone of your age and marital status in the table below. Use the right-hand columns ONLY if you are eligible for age-related married couple's allowance, ie you are married and you or your spouse were born before 6 April 1935. Married couple's allowance was abolished on 6 April 2000, and now only applies to couples where one spouse reached the age of 65 before that date. Note: ages shown below refer to age on last day of tax year (5 April 2001) – see 'Warning', right.

Single person, married woman, or married man born between 6 April 1935 and 5 April 1936	Income limit	Married man aged	Income limit
Aged between 65 and 74	£19,810	64 or younger wife aged between 65 and 74	£23,370
Aged 75 or over	£20,330	64 or younger wife aged 75 or over	£23,510
		between 65 and 74 wife aged under 75	£26,180
		between 65 and 74 wife aged 75 or over	£26,320
		75 or over, wife any age	£26,840

5 DEDUCT £17,000 FROM YOUR TOTAL INCOME

– £17,000 [ ]

Divide the result by two. This is the reduction in your overall age-related allowances (**R**). [ ] R

Enter the maximum personal allowance for your age (**P**) in the box marked 'Personal'. If you are still eligible, enter the married couple's allowance for the older of you and your wife (**M**) in the box marked 'Married'.

Personal [ ] P Married [ ] M

To work out your reduced personal allowance, deduct **R** from **P** to give **A**. If **A** is £4,385 or more, this figure is your reduced personal allowance. If **A** is less than £4,385, your reduced personal allowance is £4,385. If you're a married man, and **A** was less than £4,385, work out the difference between **A** and £4,385 and enter it at **B**.

Subtract **B** from **M** and write the larger of this and £2,000 in the box marked **C**. This is your reduced married couple's allowance (it's reduced further if you married during the year).

[ ] B

[ ] A [ ] C

WARNING

It is always the husband's total income that is used to work out married couple's age allowance. This applies even if the husband has transferred married couple's allowance to his wife and even if they are entitled to the extra allowance because of her age, not his.

However, when a married man starts to lose age-related allowance, it is his personal allowance which is reduced first. When it has been reduced to £4,385, he may then start to lose the extra married couple's allowance.

WARNING

If you married during 2000-2001, you can claim the allowance only if you or your spouse were born before 6 April 1935.

Income tax calculator

Enter the gross (before-tax) amount of your income for 2000-2001 in the right-hand boxes. Under 'Tax paid' enter any tax deducted through your PAYE code (from your P60), plus any payments on account made on 31 January 2001 and (if relevant) 31 July 2001. Do not include any payments made to cover tax outstanding from the 1999-2000 tax year.

1 ENTER YOUR NON-SAVINGS INCOME

	TAX PAID	INCOME	
	PAYE	Gross	
Income from employment Include your basic salary or wage, commission, bonuses, tips, holiday pay, taxable sick and maternity pay, taxable income from a profit-sharing scheme, and the taxable value of fringe benefits. Deduct any contributions to your employer's pension scheme, charitable payments made through a payroll-giving scheme, any tax-free profit-related pay, and anything spent on allowable expenses that isn't reimbursed.			
Pensions and social security benefits Enter only the taxable amount (whoever pays the benefit should tell you this). For pensions from abroad, this is 90 per cent of the amount due.	Payments on account		
Taxable profits from self-employment or a partnership and freelance earnings (after loss relief). See p21 for information on working out your taxable profits.			
Income from land or property Enter your profits, after deducting expenses. If you let rooms under the rent-a-room scheme, don't enter any tax-free amount of rental income.	Other tax		
Other taxable non-savings income For example, non-savings income from trusts, settlements or the estates of people who have died.			
ADD UP ALL THE GROSS INCOME AND ENTER AT A			A

2 DEDUCT YOUR TAX-ALLOWABLE DEDUCTIONS AND FULL-RELIEF ALLOWANCES

Personal allowance If you were born after 5 April 1936, enter £4,385. If you were born on or before that date, you may get a higher allowance – see p33 for how to work this out.		
Blind person's allowance If you were entitled to this allowance, enter £1,400 here. If your spouse can claim the allowance but doesn't use it in full, enter any unused amount here and put in a claim to transfer it. See p15.		
Pension contributions Enter payments to personal pension plans or retirement annuity contracts paid gross (ie before tax). Include any life insurance bought through your plan. Don't include payments 'carried back' to a previous tax year, or pension payments paid net (ie if you are an employee).		
Other full-relief deductions For example, interest on a loan to buy into a company or partnership; relief on gifts of qualifying investments to charity.		
ADD UP ALL THE ALLOWANCES AND GROSS DEDUCTIONS AND ENTER AT B		B
If **A** is more than **B**, deduct **B** from **A** and enter at **C**. This is the taxable amount of your non-savings income.		C
If **B** is more than **A**, deduct **A** from **B** and enter at **D**. This is the amount of your allowances and deductions not needed to reduce your non-savings income to zero.		D

3 FIND THE TAXABLE AMOUNT OF YOUR SAVINGS INCOME AND ANY TAX DEDUCTED AT SOURCE

	Net	Tax deducted	Gross	
Enter the amount of any taxable interest received from banks, building societies, National Savings and gilts (British Government stocks). Enter the amount received and any tax deducted, and add the two together to get gross income.				E
If **E** is more than **D**, deduct **D** from **E** and enter at **F**. This is the taxable amount of your savings income.				F
If **D** is more than **E**, deduct **E** from **D** and enter at **G**. This is the amount of your remaining allowances and deductions not needed to reduce your non-savings income to zero.				G
ADD UP TAX PAID AND TAX DEDUCTED AND ENTER AT a				a

4 FIND TAXABLE AMOUNT OF DIVIDEND INCOME AND ANY TAX ALREADY PAID/DEDUCTED

	Dividend	Tax credit	Gross	
Enter any dividend or distribution received from shares, unit trusts or Oeics. Enter the amount received, and any tax deducted (the tax credit), and add the two together to get gross income.				H
If **H** is more than **G**, deduct **G** from **H** and enter at **J**. Otherwise enter zero. This is your taxable dividend income.				J

5 ADJUST YOUR BASIC-RATE TAX BAND BY ADDING TAX-ALLOWABLE PAYMENTS MADE NET

	Amount paid	Tax relief	Gross	
Pension contributions paid net (after tax relief) If you are an employee who paid personal pension premiums or free-standing additional voluntary contributions net of tax relief, enter the amount paid, tax relief already received and add them together to get the gross amount.				
			+	
Charitable giving If you made donations under a deed of covenant or the gift aid scheme, enter the amount paid, the basic-rate relief you deducted before making the payment, and add together to get the gross amount. Note that if you made charitable donations, and the tax relief at **b** is more than (or close to) the tax due at the end of step **7**, the tax relief may be clawed back. This calculator does not cover this.		b		
			+	
			£26,880	
			=	
ADD THE TWO BOXES IN THE RIGHT-HAND COLUMN TO THE AMOUNT OF THE BASIC-RATE BAND (£26,880) This gives you any higher-rate relief due on these payments. Take the result to step **6**.				

6 ALLOCATE YOUR INCOME TO TAX BANDS

Your non-savings income Enter **C** (from step **2**). At **K** enter either **C** or £1,520, whichever is lower. Deduct **K** from **C** to find **L**. At **M** enter either **L** or the adjusted basic-rate tax band (from step **5**), whichever is lower. Deduct **M** from **L** and enter the result at **N**.

*Now, working down the columns, deduct **K** from £1,520 and enter the result at **O**: deduct **M** from the adjusted basic-rate tax band (from step **5**) and enter the result at **P**. This gives you the amount of your starting- and basic-rate bands unused so far*

Your savings income Enter **F** (from step **3**). At **Q** enter **O**, or **F** if lower. Deduct **Q** from **F** to find **R**. At **S** enter **P**, or **R** if lower. Deduct **S** from **R** and enter the result at **T**.

*Working down the columns again, find your remaining tax bands. Enter **O** minus **Q** at **U**, and **P** minus **S** at **V***

Your dividend income Enter **J** (from step **4**). At **W** enter **U**, or **J** if lower. Deduct **W** from **J** to find **X** (enter zero if negative).
At **Y** enter **V** or **X** if lower. Deduct **Y** from **X** to find **Z** (enter zero if negative).

	Starting-rate tax band		Adjusted basic-rate tax band (from step 5)		Higher-rate tax band
	£1,520				*all income over £28,400*
	minus			*minus*	
C –		K =	L –		M =	N
	equals			*equals*	
		O			P
	minus			*minus*	
F –		Q =	R –		S =	T
	equals			*equals*	
		U			V
	minus			*minus*	
J –		W =	X –		Y =	Z

7 WORK OUT THE TAX (figures come from the blue shaded boxes in step 6)

Add up **K+Q+W+Y**. This is your income within the starting-rate band, plus dividends within the basic-rate tax band. Multiply by 10 per cent. x 0.10 =

Enter **S** (your savings income within the basic-rate band) and multiply by 20 per cent. S x 0.20 =

Enter **M** (your non-savings income within the basic-rate band) and multiply by 22 per cent. M x 0.22 =

Enter **Z**. This is your dividend income liable to higher-rate tax. Multiply by 32.5 per cent. Z x 0.325 =

Add up **N+T**. This is your non-dividend income liable to higher-rate tax. Multiply by 40 per cent. x 0.40 =

ADD UP ALL THE TAX DUE (THE FIVE BOXES IN THE RIGHT-HAND COLUMN). =

8 DEDUCT EXTRA TAX RELIEF

Dividend tax credits Enter **J** from step **4** and multiply by 10 per cent. J x 0.10 =

Enterprise Investment Scheme/Venture Capital Trusts Enter amount paid which qualifies for tax relief and multiply by 20 per cent. x 0.20 =

Married couple's allowance, maintenance deduction, widow's bereavement allowance If you (or your husband/wife) were born before 6 April 1935, enter the amount you have claimed and multiply by 10 per cent. x 0.10 =

NOW DEDUCT YOUR TAX RELIEF FROM THE TAX DUE AT THE END OF STEP 7 (ENTER ZERO IF THIS PRODUCES A MINUS FIGURE). THE RESULT, RIGHT, IS YOUR INCOME TAX BILL =

9 ADD CLASS 4 NATIONAL INSURANCE

Enter Class 4 National Insurance on your taxable business profits. This is 7 per cent of profits between £4,385 and £27,820. If your profits are over £27,820, enter £1,640. If they are below £4,385, enter zero. Add to tax due at the end of step **8** and enter the total, right. =

10 DEDUCT TAX ALREADY PAID

Enter **a** from step **3**. This is your tax already paid. Deduct **a** from your tax due at the end of step **9**. a

THE RESULT IS YOUR TAX BILL OR, IF A MINUS FIGURE, YOUR TAX OVERPAID. (NOTE THAT YOU MAY NEED TO MAKE ADJUSTMENTS IF YOU HAVE ALREADY HAD A TAX REFUND DURING THE YEAR.) =

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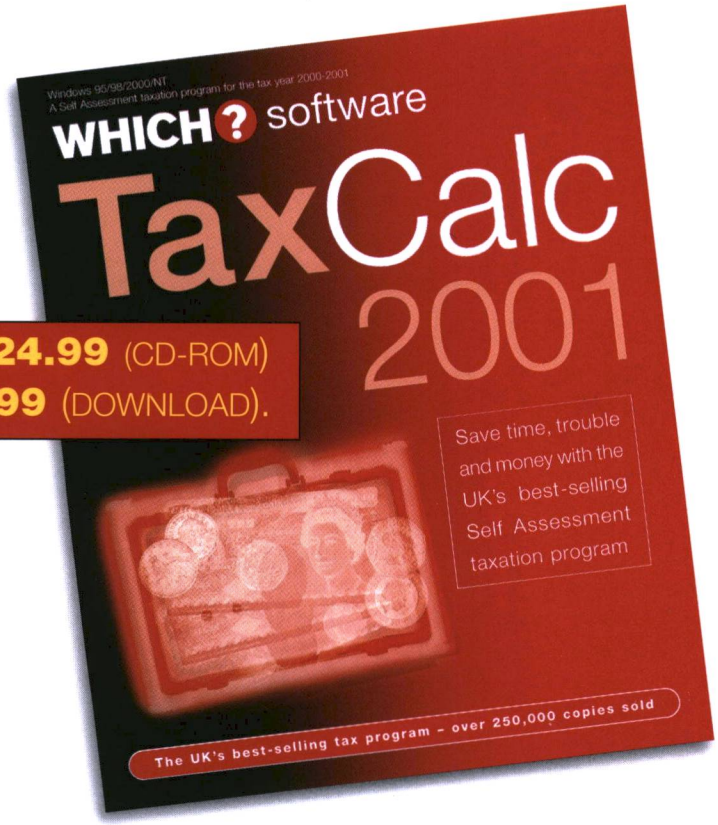

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